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COCAINE WAR
Peru determined to hold the fort
Page 3

World News

Geneva talks fail to settle future of boat people

US insistence that the enforced repatriation of Vietnamese boat people from Hong Kong be halted until the end of the year prevented agreement in Geneva on the fate of tens of thousands of refugees held in overcrowded detention centres in the British colony. Page 14

South Africa deaths

Two people were shot dead and at least nine injured in the South African gold mining town of Carletonville when police opened fire on a protest march by 5,000 black people protesting over the death in detention of a 16-year-old boy. Page 4

Secord sentenced

Richard Secord, a retired US Air Force major general and key figure in the Iran-Contra scandal, was sentenced to two years' probation for lying to congressional investigators.

Cuba protests

Cuba has protested against the presence of US warships offshore and asked whether Washington was trying to threaten or intimidate it.

Extension for US

The Greek parliament is to consider a six-month extension on the May deadline for the US to dismantle military installations in Greece.

Poles seek Gatt deal

Poland wants to change the terms of its membership of the General Agreement on Tariffs and Trade (Gatt). Page 5

Doctors strike

French junior doctors continued an all-out strike which followed a freeze on the number of doctors allowed to fix tariffs freely. Page 2

Kashmir challenge

Indian security forces in Kashmir faced a new challenge when 200 local police, some carrying weapons, demonstrated in Srinagar. Page 4

Aiming for the moon

Japan's first spacecraft rocketed off on a moon mission that is part of an ambitious space programme. Page 4

Sikh leader killed

Harmandir Singh Sandhu, general secretary of the militant All India Sikh Students' Federation was assassinated at his home in Amritsar. Page 4

Japan poll date

Japanese voters will go to the polls on February 18 after what promises to be the most bitter general election campaign in memory. Page 4; photograph, Page 14

Kosovo protest

Yugoslav police in full riot gear used tear gas, clubs and water cannon to disperse 10,000 ethnic Albanian protesters shouting "democracy" in the southern province of Kosovo.

Suspect extradited

Bruno Carl Blach, a 70-year-old retired grocery clerk accused of killing wartime concentration camp prisoners, arrived in West Germany to face trial after deciding not to fight extradition from the US.

Cow disease hope

The "mad cow" disease affecting British cattle has yet to reach its peak but indications are that it is under control, Mr John Gummer, UK Agriculture Minister, said. Page 8

Argentine dispute

Argentine Defence Minister Italo Luder resigned after a dispute with the army chief on issues of pay and military activities.

E German car sale

Hungary is selling about 300 cars and motor-cycles abandoned by East Germans who fled illegally to the west last year after Budapest tore down its border fences.

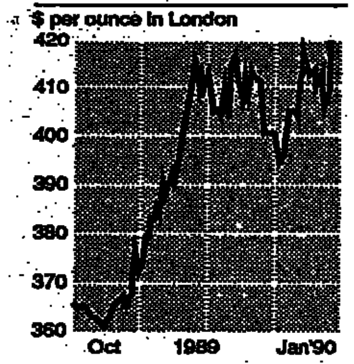
Business Summary

Aeroflot to buy aircraft from Airbus Industrie

AEROFLOT, Soviet airline, has ordered five aircraft from Airbus Industrie, the European aircraft consortium, in its first purchase of western commercial aircraft. Page 14

GOLD: Slumping share prices worldwide and a weaker US dollar sent speculators with "hot" money scuttling to buy gold bullion. The precious metal's price closed at $420.25 a troy ounce, up $10.50 on the day and the highest level for 13 months. Page 26

Gold price



NBC, National Broadcasting Corporation, of the US is to unveil a co-operation accord with two leading European electronics companies to develop an American high definition television (HDTV) system. Page 14

FRANCE will push for tough curbs on Japanese car imports into the EC at a meeting of EC foreign ministers next month. Page 2

PORSCHE, West German luxury car company, is on the way to higher sales and profits this financial year and is hiring new workers after a sharp earnings recovery in 1988-89, said chief executive Heinz Branitzki. Page 15

SOVIET Union has signalled a sharp cut in oil deliveries to Czechoslovakia and other east European countries. Czechoslovak officials speculated this could be because of a oil shortage or an economic war of nerves. Page 2

GESTETNER Holdings, office equipment and photocopier distributor, lifted pre-tax profits by 26 per cent in the year to October 31 recording an outcome of $59.7m. Page 15

NEW York's famous Mamma Leone's restaurant, is to be transferred to Japanese ownership as part of a $105m deal by which Kyotaru, a food service company, to buy 85 per cent of Restaurant Associates Industries (RAI). Page 15

MOBIL, second-largest US oil company, reported a 13 per cent drop in 1989 net income to $1.81bn. Earnings per share were $4.40, down from $5.07 in 1988. Page 18

DOWNER & Company, US mergers and acquisitions broker, has teamed up with 3i, Britain's largest venture capital company, to help medium-sized businesses make cross-border acquisitions. Page 8

AUSTRALIAN dollar slid further on Sydney foreign exchanges as money market interest rates continued to weaken in response to the Government's decision to ease monetary policy. Page 4

CRAY Research, leading maker of supercomputers, announced better than expected results for 1989. Page 18

POLAND will ask to change the terms of its membership of the General Agreement of Tariffs and Trade to assist the country's transition to a market economy. Page 5

NORWAY'S top 30 savings banks bounced back into the black in 1989 after sliding into loss in 1988, according to the Norwegian Savings Banks Association. Page 16

World shares, bonds fall

By Simon Holberton in London, Janet Bush in New York and Ian Rodger in Tokyo

EQUITY and government bond prices fell sharply across the world yesterday in turbulent conditions which left investors and analysts nervous and struggling to explain the performance of markets.

The main markets in Tokyo, London and New York all traded lower, undermining confidence on Continental bourses. The only significant price rise was recorded for gold - the bell-wether of market disorder - which benefited from the unsettled conditions in other financial markets.

The performance of the big markets yesterday and over the past fortnight indicates a change in expectations from the ebullience of the new year to a more sober assessment of the outlook for global inflation and interest rates.

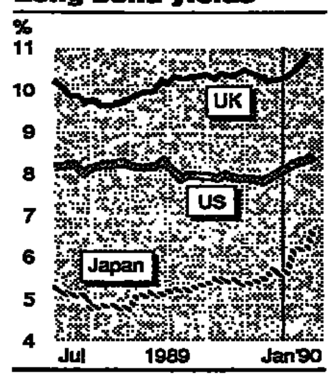
However, volumes of bonds and shares traded yesterday were generally moderate. This suggests that activity was concentrated among professional traders while big investors stood back to assess the situation.

In Europe, the Far East and the US, long-term interest rates have moved higher since the beginning of the year. This has fuelled speculation that official lending rates in some countries, notably Japan and possibly West Germany, may rise further and that official rates in the US and UK are likely to stay higher for longer than initially thought.

Yesterday's maelstrom started late on Tuesday on the US bond market. Bonds issued by the Resolution Funding Corporation, which were being sold to finance the US Government-sponsored bail-out of the US savings and loan industry, met a poor response at auction.

This sent US Treasury bond yields higher and, as trading moved to the Far East, Japanese bond yields moved higher in sympathy. The shock wave also sent Japanese share prices sharply lower.

Long bond yields



The Nikkei index of 225 leading shares on the Tokyo Stock Exchange plunged 599.04 to close at 36,778.98. The Nikkei has lost 5.5 per cent of its value since reaching a peak of 38,915.87 at the end of December.

Political uncertainty ahead of next month's general election has exacerbated the volatility in Tokyo's financial markets.

However, Mr Yasushi Mieno, governor of the Bank of Japan, sought to reassure Japanese financial markets at his regular weekly press conference. He said the central bank was not considering a further rise in the official discount rate in response to firming money market rates.

Mr Mieno said the yen's continuing weakness, which leads to fears of further interest rate tightening, had been causing turmoil in the bond and stock

Continued on Page 14

Lex, Page 14; Markets, Page 35

Ferranti writ is blow to UK's accountancy establishment

By Our Industrial Staff in London

FERRANTI International yesterday issued a writ against Peat Marwick McLintock, the international accountancy firm, claiming damages for losses arising from Ferranti's takeover of International Signal and Control.

The writ, issued in the London High Court, alleges Peat Marwick had been negligent in its auditing of ISC's accounts between 1984 and 1989.

Although long expected, the writ will come as a body-blow for the UK's accountancy profession. The firm is a pillar of Britain's financial establishment and remains the UK's largest accountancy practice until the imminent merger of Coopers & Lybrand and Deloitte Haskins & Sells's British firms.

The writ comes a day after Ferranti agreed the sale of its radar division, the technological heart of the company, to the General Electric Company of the UK for £310m ($513m). Ferranti's shares rose 2¼p to 35¼p yesterday.

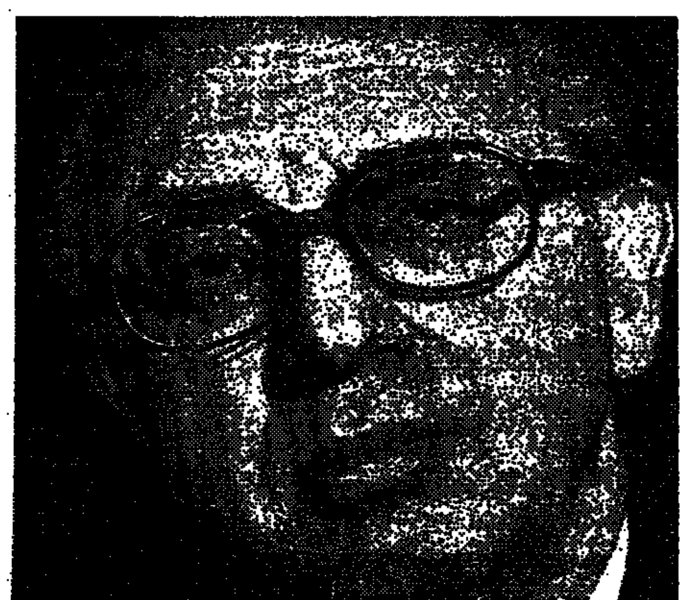
Ferranti had been seeking a buyer for all or part of its business since the discovery last year of an alleged £215m fraud involving ISC.

A Bonn government official confirmed that the deal had helped ensure the UK won the contract to produce the European Fighter Aircraft radar.

He said agreement of the details of the contract, worth more than £1bn, would be reached in the next two or three weeks.

Peat Marwick was ISC's auditor before Ferranti purchased the company for £420m in September 1987 and resigned in November, following disclosure of the fraud.

Peat Marwick said yesterday: "The allegations [in the writ] are of a general nature and there is no quantification of the alleged loss. We strongly contest the allegations inherent in the writ and there is no further comment."



Lord Weinstock, managing director of Britain's General Electric Company. Its purchase of Ferranti's radar business is the latest in a series of acquisitions by European defence groups of companies within their own countries. The deal is examined in detail on Page 6. Lex, Page 14. Editorial Comment, Page 12

The litigation, which is unlikely to be resolved for several years, could hit the profession by prompting a hardening of professional idemnity insurance rates.

The acquisition has substantially eased Ferranti's financial position by reducing its £400m borrowings.

The action against Peat Marwick follows writs issued late last year against Mr James Guerin, Ferranti's former deputy chairman, and three of his associates. Ferranti is claiming $198.5m from the four for money which it says was fraudulently siphoned off from some of its subsidiaries.

Meanwhile, Mr Guerin has claimed that Mr William Clark, his former finance director, threatened to tell 11 people that Mr Guerin was the target of a grand jury investigation into illegal arms shipments to South Africa and that he had fabricated ISC's accounts to inflate the company's networth to secure the 1987 merger with Ferranti.

Mr Guerin made the claims in a deposition as part of a legal case in Lancaster, Pennsylvania, in which Mr Clark is sueing Mr Guerin for allegedly refusing to pay a $2.7m settlement after Mr Clark resigned fom ISC.

Ferranti deal aftermath, Page 6; Editorial comment, Page 12; Lex, Page 14

Soviets bombard Baku ships and seize nationalists

By Quentin Peel in Moscow

SOVIET security forces yesterday launched a co-ordinated onslaught on militant nationalist resistance in the republic of Azerbaijan, bombarding civilian ships blockading the harbour of Baku and arresting dozens of leaders of the nationalist movement.

The crackdown came in the face of days of furious protests by Azerbaijanis against the military occupation of Baku last weekend, in which at least 99 people have died.

A general strike paralysed transport and industry yesterday and mass rallies continued in the Azerbaijani capital and elsewhere in the republic in defiance of the state of emergency, as the Soviet military launched its counter-attack.

Reports of the extraordinary assault on the oil tankers and other vessels blockading the harbour reached Moscow only last night. The tanker captains had been threatening to blow up their vessels if troops in the city were not withdrawn.

"They started firing artillery guns, grenade launchers and heavy machine-guns from the embankment and from naval ships blockaded in the harbour," Mr Yusif Samed-Ogly, a poet and member of the nationalist Azerbaijan Popular Front, told Reuters news agency.

He said the firing lasted about 40 minutes and some of the civilian ships were hit. "I think some were sunk and others retreated into the open sea," he said.

The blockade began at the beginning of the week because of rumours that Soviet authorities were planning to dump in the Caspian Sea hundreds of corpses of people killed in the weekend fighting.

Yesterday morning the security forces launched their round-up of nationalist leaders, ransacking the headquarters of the Popular Front and other organisations. They said that at least 43 leaders of militant organisations had been seized.

The arrests came as it was announced that Mr Abdul-Rahman Vezirov, leader of the Azerbaijan Communist Party until less than a week ago, had been expelled from the party. The Central Committee was meeting late last night to consider the crisis which has left the ruling party discredited and facing a mass resignation of its members.

The state of emergency in parts of Azerbaijan and Armenia was declared in an attempt to end violent race riots and open warfare in the hills between the two republics, at loggerheads for the past two years over who should rule the disputed enclave of Nagorno-Karabakh. Further arrests were made among the Armenian majority population of the enclave yesterday as part of the crackdown.

However, the military has yet to find any way of breaking the Azerbaijan-wide general strike and transport stoppage which has now halted at least 180 trains, more than 100 of them destined for Armenia.

That republic is facing a critical fuel shortage, with rationing now in all homes and factories and a complete standstill at the main airport. Pilots have been refusing to fly for four days because Armenian militants seized weapons from the airport. The closure means that an airlift of supplies to Nagorno-Karabakh, also the subject of a virtually total Azerbaijani blockade, has been abandoned.

Talks on the border between the two republics, aimed at ending the fighting between large bands of armed militants, were abandoned yesterday after representatives from the Azerbaijan enclave of Nakhichevan walked out. No reason was reported by the Soviet

Continued on Page 14
Day of violence, Page 2

Gorbachev must stay strong urges Bush

PRESIDENT George Bush yesterday expressed the hope that President Mikhail Gorbachev not only survives but "stays strong" during his present troubles, writes Lionel Barber in Washington. Mr Bush ducked questions about the use of force by Soviet troops in Azerbaijan.

At an early morning White House news conference, Mr Bush said that Mr Gorbachev faced a problem of "enormous dimensions" in dealing with ethnic minorities in the Trans-caucasus and the Baltic.

Asked whether the Soviet leader could survive, Mr Bush said: "I think the answer to your question unfolds every day. We don't really know."

Turning to the use of armed force against Azerbaijani nationalists, Mr Bush remained circumspect. "We are concerned," he said, "but I don't believe I can judge that question now."

Dilemma for US, Page 3

Siemens, IBM in joint venture on advanced memory chips

By Michael Skapinker in London, Alan Cane in Paris and Louise Kehoe in San Francisco

SIEMENS, the leading European semiconductor producer has signed an agreement with International Business Machines, the largest chip maker in the world, for the joint development of 64 megabit memory chips, the next generation of computer data storage devices that will hold 64 times as much data as those commonly used today.

The agreement is the latest in a series of collaborative moves by leading US, Japanese and European semiconductor producers to share the huge costs and technical challenges of achieving memory chips of ever greater capacity.

The IBM-Siemens agreement comes on the heels of the collapse of US electronics industry efforts to form a manufacturing consortium to produce dynamic random access memory (D-ram) chips.

The grouping, called US Memories, was to have produced 4 megabit D-rams, in an effort to reduce the dependence of the US computer industry on Japanese suppliers, which currently dominate the world market with an estimated 70-80 per cent market share.

Leadership in memory chip technology will be critical in determining the future competitiveness of the computer industries of the leading technology producers, US industry analysts believe.

Siemens and IBM plan to begin production of their 64 megabit D-ram chips in the mid-1990s – widely seen as an ambitious schedule, but essential if they are to keep up with Japanese competitors. The two companies say joint development of the new chip would begin immediately, with costs being shared equally.

The two concerns began volume production of the 4 megabit D-ram last year and are working independently to develop the interim 16 megabit D-ram. World sales of D-rams are expected to total about $9bn this year.

Mr Jack Kuehler, IBM president said yesterday: "To remain a leader in semiconductor technology requires ever greater investments. The bets are getting larger and the potential costs of failure are getting more and more significant. It makes good business sense to share the risks." Mr Kuehler estimated the cost of the development at "hundreds of millions of dollars."

Mr Karlheinz Kaske, president and chief executive of Siemens, said the agreement was part of the company's long-term effort to supply state-of-the-art integrated circuits to European industry.

IBM will manage the project at its semiconductor technology center in East Fishkill, New York. After development, the two companies will produce chips at their own plants.

Collaboration with IBM would provide substantial assistance to the Joint European Submicron Silicon (Jessi) project, in which Siemens plays an important part. Jessi is backed by the European Commission, several governments and most leading European information technology companies.

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Delors puts federalist mark at end of German Question

The German Question could be the litmus test for Jacques Delors, President of the European Commission, after his controversial statement last week that East Germany would have a virtual right to membership of the EC

Page 2

MARKETS

STERLING
New York lunchtime:
$1.6545
London:
$1.6555 (1.6485)
DM2.7925 (2.7975)
FFr9.485 (9.5025)
SFr2.475 (2.485)
Y240.5 (240.75)
£ index 87.8 (same)

GOLD
New York: Comex Feb
$417.7 (413.7)
London:
$420.25 (409.75)

N SEA OIL (Argus)
Brent 15-day Mar
$19.45 (19.275)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.68765
FFr5.735
SFr1.4958
Y145.35
London:
DM1.6865 (1.6965)
FFr5.73 (5.765)
SFr1.4955 (1.5075)
Y145.3 (146.05)
$ index 67.2 (67.6)
Tokyo close: Y145.8

US LUNCHTIME RATES
Fed Funds $8\frac{7}{16}$%
3-mo Treasury Bills:
yield: 7.91%
Long Bond:
$96\frac{27}{32}$
yield: 8.41%

STOCK INDICES
FT-SE 100:
2,278.6 (−12.5)
FT Ordinary:
1,828.6 (−11)
FT-A All-Share:
1,143.55 (−0.6%)
New York lunchtime:
DJ Ind. Av.
2,566.67 (−48.65)
S&P Comp
325.67 (−5.94)
Tokyo: Nikkei
36,778.98 (−599.04)

LONDON MONEY
3-month Interbank:
closing $15\frac{1}{16}$% ($15\frac{7}{32}$)
Liffe long gilt future:
Mar $87\frac{21}{32}$ ($87\frac{3}{4}$)

CZECHS FEAR ECONOMIC WAR OF NERVES

Moscow cuts oil sales to E Europe

By **Leslie Colitt** in Prague

THE Soviet Union has signalled a sharp cut in oil deliveries to Czechoslovakia and other East European countries. Czechoslovak officials speculated this could be because of a genuine shortage of oil, or part of an economic war of nerves.

Moscow told Prague it could not supply 890,000 tonnes of oil out of 16.6m tonnes contracted for this year. Soviet officials said the oil was simply not available for Eastern Europe. Recent reports from Moscow suggest a growing energy crisis within the Soviet Union.

"It sounds threatening, but it seems to be true," said Mr Vladimir Dlouhy, the Czechoslovak Deputy Prime Minister and Head of the Planning Commission.

"They said the cutback could be temporary and that we might get the oil later," he said. Hungary and Poland were also informed of cuts and possibly East Germany.

Mr Dlouhy, however, had lingering doubts about the reasons for the shortfall. He was personally taken to task recently in Pravda, the Soviet newspaper, by Mr Nikolai Ryzhkov, the Soviet Prime Minister, for criticising Moscow's role in Comecon, where Mr Dlouhy is Czechoslovakia's chief representative.

At a recent Comecon summit meeting in Sofia, he opposed Moscow's proposal to begin trading key Soviet exports, such as oil, gas and raw materials for hard currency next year. Czechoslovakia, Poland and Hungary – while agreeing in principle with hard-currency trading – want compensation from Moscow for losses suffered by selling their uncompetitive machinery to the Soviet Union for convertible currency.

Mr Dlouhy said Moscow needed to open its market fully to East European products, if it wanted hard-currency trade within Comecon. Mr Andrej Barcak, the Czechoslovak Foreign Trade Minister, argued that all trade and services, including fees from the transit pipeline carrying Soviet oil through Czechoslovakia to Western Europe, be calculated in hard currency. But the Soviet side wanted to include only easily marketable Soviet exports, such as energy and raw materials.

Mr Dlouhy suggested that the Soviet oil cutback might also be a "protest against the democratic changes" in Czechoslovakia.

The Czechoslovak Government's senior political adviser, Mr Oskar Krejci, admitted the oil shortfall was a "great political problem." He saw a possible "linkage" between the withdrawal of 60,000 Soviet troops from Czechoslovakia, which Prague demanded by the end of this year, and the shift to hard-currency payments for oil and gas.

Delors puts federalist mark at end of German Question

IAN DAVIDSON ON EUROPE

AMID all the turbulent news from the Soviet Union and Eastern Europe, the preoccupations of the European Community can seem tame stuff. When the Soviet empire seems to be disintegrating and the Germans are wrestling with the quandary of reunification, the Common Market's concern with tax harmonisation or farm policy reform looks safe, pedestrian and small.

As indeed they are. The founding fathers of the Community believed they were launching an historic revolution in the peaceful management of relations between states, and they were right. For 40 years this peaceful revolution rumbled on, sometimes slowly, sometimes stopping entirely, but always cautiously, concentrating on the nuts and bolts of economic co-operation.

This was the only way to start, because there was no guiding precedent, and the method paid off, because the Community is now poised for the completion of its internal market and the negotiation of Economic and Monetary Union.

In the meantime we are confronted with an entirely different kind of revolution in the other half of the continent, hectic, unco-ordinated, and breathless. The peoples of Eastern Europe are pursuing freedom, democracy and prosperity in different ways, but have in common *a haste to introduce* some version of political and economic reform.

It is obvious that reform will be extremely difficult, that the unavoidable imperative of utmost speed can only magnify the difficulties, and that even successful reform will exact a temporary price in disruption and deprivation. In the light of Armenia and Azerbaijan, no prudent observer would rule out the possibility of unrest, instability and backlash in Eastern Europe.

Until now, the countries of Western Europe could focus on internal Community problems and indulge their hesitations over each step, because the East-West confrontation seemed to provide a form of lasting international stability. The framework of that stability has now been swept away. The new challenge is whether the Community can any longer afford the luxury of pottering along at its old cautious pace.

According to Mr Jacques Delors, the Commission president, the answer is a resounding no. In a speech to the European Parliament last week, he made an impassioned plea for urgent steps to a politically united federal Europe. Events in Eastern Europe offered hope, he said, but also many dangers.

"It is important not to under-estimate the political dangers which threaten these countries, and therefore concern us too, and which [even after elections] could still arise from the failure of political reform, from economic setbacks, or movements towards a sort of Balkanisation." Time was short, he told the parliament: "History is pressing us on," he said, "and it asks us whether we want to exist."

Mr Delors returned to his theme this week, when he said on French television that Economic and Monetary Union was not enough, that the Community needed a stronger political structure, and that he hoped to see a European Federation before the end of the century. It was an impressive performance, which made, for once, the idea of a European federation sound very unlike the soggy Utopia of a Euro-crank.

It is a mark of the times that Mr Delors can afford to be so *evangelical and so politically* outspoken. This is partly because the Community is in the most buoyant phase of its development since the very beginning, and Mr Delors has played a central role in piloting it first towards the single market, and now towards Economic and Monetary Union. Nothing succeeds like success, and the success rubs off on the man at the centre.

Indeed, by his forceful advocacy, Mr Delors is virtually going over the heads of the member states in defining, for Europe's voters, the terms of the agenda and the debate. With the French, at least, his championship of a more united Europe has done him no harm. The most recent poll shows that he has managed to overtake Prime Minister Michel Rocard as the most popular politician in France after President François Mitterrand. As a result, there is growing speculation that he could be a future prime minister or even president of France.

Whether his advocacy will prove persuasive with member governments is another question. His vision is obviously not shared by the present British Government, nor by Denmark or Greece, and it will be hard enough to get all 12 states to sign a new treaty on EMU, without embarking on a project for federal union. For his own good, is Mr Delors over-doing the vision bit?

The German question could be his litmus test. A week ago, he argued that East Germany *was a special* case in Eastern Europe, and would have a virtual right to membership of the Community. His proposition provoked opposition from several governments, including Holland, Belgium, France and Britain, when the 12 foreign ministers met last weekend in Dublin; East Germany is not a special case, said the Dutch.

It seems likely, however, that East Germany is bound to get inside the Community sooner or later, in one way or another; if not as an independent state, then through its links with West Germany. Chancellor Helmut Kohl has proposed a plan for confederal structures and many people now believe that some form of union has become inevitable. But it is obvious that the other member states may suffer either if the Community should be dominated by a mega-state of 80m people, or if East Germany becomes a subject of dissension with West Germany.

Some form of implicit bargain over the future of East Germany needs to take shape. The West Germans cannot avoid the responsibility for carrying East Germany, if they are left with it, and it may prove a heavy burden; but if the responsibility is to some extent shared, the natural and necessary counterpart would be faster progress towards a more federal Europe. Mr Kohl seemed to be pointing to such a bargain in Paris last week, in a speech which explicitly linked his proposals for East Germany with his commitment to EMU and the single market.

Mr Delors' federalist vision may be premature, it may even be a touch naïve. But the member states seem to be closing their eyes to the problem, either because they pretend it is a problem for the Germans, or because it may not happen very soon. However, and whenever, it happens it cannot fail to have a colossal effect on the EC, and will raise once more the question of federalism.

Anti-Mafia crusader unseated

By **John Wyles** in Rome

MAYOR Leoluca Orlando, for five years the symbol of Palermo's attempt to launch a political crusade against the Mafia, has resigned after being effectively unseated by a majority of his own Christian Democrat (DC) party in Sicily.

His downfall is bound to become a national issue and will be presented as a triumph for those sections of the DC believed to have links with "the Men of Honour".

Mr Orlando, a member of the DC left, represented both an attempt by the party's former national leader, Mr Ciriaco De Mita, to clean up its Sicilian operations and a broader desire within Palermo to break the business and political links between the city administration and organised crime.

Mr Orlando has known that his days were numbered ever since Mr De Mita lost the party secretaryship to Mr Arnaldo Forlani last February. Both the new leader and the current prime minister, Mr Giulio Andreotti, have detested Mayor Orlando's frequent imputations of Mafia connections against the "old school" DC in Palermo, while their principal governing ally, Mr Bettino Craxi and his Socialists (PSI), have been his opponents since he formed a coalition with the Communists in 1988.

All of the city's counsellors, comprising other members of the DC left, Communists, Greens, Social Democrats and representatives of two citizens' groups, have also resigned.

Messrs Craxi, Andreotti and Forlani will be aiming to form a new administration in coalition with the lay parties which pushes the Communists into opposition.

The move against Mayor Orlando is undoubtedly linked to the regional elections in May. The DC/PSI axis in Rome will want to be in charge of the campaign and elections in a bid to cutdown both the Communist vote and support for the DC left.

Protesters besiege Romania's leaders

By **Victor Mallet** in Bucharest

HUNDREDS of demonstrators marched through central Bucharest yesterday and besieged the headquarters of Romania's ruling National Salvation Front in protest against the Front's decision to field candidates in May's general election.

Groups of Romanians gathered on street corners to discuss the uncertain political climate following the overthrow of Nicolae Ceausescu more than a month ago, while soldiers prevented the demonstrators from entering the Front's offices in Victory Square. A dozen representatives, however, were allowed into the old foreign ministry building to put their grievances to Front leaders.

The demonstrators and several of Romania's emerging political parties were outraged by the Front's decision to take part in the elections, instead of standing down as promised after establishing democracy.

Students and workers in the crowds said they were suspicious of the links between Front leaders and the discredited Communist Party, and they complained that the Front's post-revolutionary system of local committees in towns and factories across the country was remarkably close to traditional communism.

Student groups and opposition parties have called for a mass protest demonstration on Sunday, and it remains to be seen if the government will be able to proceed with multi-party consultations on a draft electoral law scheduled for Saturday.

Yesterday the demonstrators displayed reproductions of a photograph showing Mr Ion Iliescu, the interim president, playing a game of quoits with the Ceausescu family in 1976. They also shouted support for Mrs Doina Cornea, a dissident under Ceausescu who resigned from the Front's ruling council on Tuesday in protest at its participation in the elections.

"It is our revolution, not just theirs," said one of a group of angry students in the freezing fog at Victory Square last night. "They are structured exactly like the Communist Party."

Some protesters were unhappy that their expectations of a better life after the revolution had not been fulfilled, while others accused the Front of manipulating the media.

On January 12, Front officials capitulated to demonstrators who were demanding the execution of Ceausescu's associates and the banning of the Communist Party, but they subsequently reversed their decision and suggested that the protesters were drunken hooligans.

Polish CP set to keep property

By **Christopher Bobinski** in Warsaw

A RADICAL proposal by about 100 deputies, mainly from the Solidarity parliamentary group (OKP), to nationalise all the property belonging to Poland's Communist Party looks likely to be voted down today in Parliament.

But a debate yesterday *within the OKP on whether to* back the proposed legislation revealed rifts in the group between right-wingers led by Mr Jan Lopuszanski and the more moderate wing headed by Mr Bronislaw Geremek, the OKP chairman.

The Solidarity-led coalition government headed by Mr Tadeusz Mazowiecki has also taken a moderate line, ordering an investigation aimed at establishing which Communist Party property belongs to the state and repossessing it, but drawing the line at outright confiscation as suggested by the 100.

Mr Lopuszanski, who is a leader of a nascent right-wing Christian Nationalist Party, yesterday argued that the Communist Party was in a state of disarray and that its property should be taken away to ensure it never recovered.

The Communist Party meets on Saturday for a three-day Congress at which it intends to change its name, elect a leadership and adopt a social democratic programme.

Milosevic: tide is turning

Serbian leader faces growing opposition

By **Judy Dempsey** in Belgrade

THE DECISION by the Slovene Communist party to walk out of Yugoslavia's federal Communist party congress earlier this week will allow Mr Slobodan Milosevic, the Serbian president, to exploit further for his own political goals the poor relations between the two republics.

However, there is a growing consensus that Mr Milosevic lost support at the congress and is already facing opposition from within Serbia which *could lead to his eventual* downfall.

Congress delegates were taken aback when the Slovenes walked out. But they were more dismayed when Mr Milosevic stormed to the podium, seized the microphone and said the congress should continue. In so doing, he publicly acknowledged that the absence of one republic did not matter, even if that contradicted Serbia's repeated calls during the congress for party unity.

More important, all feeling has grown among other republics that Mr Milosevic's goal is to lead the federal party.

None of the other republics or provinces supported his demand to continue the congress, indicating that Mr Milosevic miscalculated the mood of the congress.

"He thought we were just a nationalist-inspired Serbian crowd which he could manipulate like a demagogue," one *delegate said.*

Opposition to the move even surfaced in Serbia, which had thrown its weight behind Mr Milosevic after he seized control of the republic's party in 1987.

Further criticism from within the party has been directed against his wife, Mirijana, an ambitious politician in charge of ideology in the Belgrade party.

And some in the Belgrade branch of the Socialist Alliance of Working People, a mass organisation under the umbrella of the party, are opposed to pro-Milosevic appointees, accusing them of rigging local elections last November.

The opposition shares one theme: Mr Milosevic has failed their expectations, particularly over Kosovo.

By exploiting Serb nationalism, Mr Milosevic amended Serbia's constitution last year to give it direct control Kosovo, previously an autonomous province, to end the alleged discrimination of the Serb minority by the ethnic Albanian majority.

But after emergency measures and imprisonment of many ethnic Albanians in Kosovo, the province remains potentially explosive. If and when changes take place in neighbouring Albania, Serbia and Yugoslavia could be faced with a crisis.

Mr Milosevic has also failed to tackle Serbia's own economic crisis. Many of the enterprises are bankrupt. Managers who do not support Mr Milosevic are sacked. Only recently, Mr Miodrag Savicevic, the respected director of Genex, the giant foreign trade company was dismissed.

"We are tired of him (Milosevic). The political tide is turning against him and Serbia," a Belgrade journalist commented. "We are heading *for a multi-party* system and we want to be part of it as well. If he does not realise this, sooner rather than later, he will be out."

Hurd takes cautious line on German unity

By **David Marsh** in East Berlin

Mr Hurd (left) pictured by the Brandenburg Gate during his visit to East Berlin

MR DOUGLAS HURD, the British Foreign Secretary, yesterday pleased the East German Government by taking a cautious view of the prospects for German reunification. He stressed the complicated international "context" in which it would have to take place.

At a news conference after a two-day visit to East Germany, Mr Hurd underlined the need for both freedom and stability in the second German state.

He backed the US line that a reunified Germany should continue to be a member of Nato, a view which has caused some irritation in Bonn on the grounds that it fails to take account of how the alliance could change in coming years.

"German membership of Nato remains a crucial part of Western security," he said.

Mr Hurd announced that Britain would extend to East Germany a "know-how fund" already established for Hungary and Poland to support specific economic reforms. It would also enlarge cultural co-operation. To support business links, a double taxation agreement was to be signed next month and an accord on investment protection should be in place by April.

Mr Hurd admitted that Britain would not be investing in East Germany in "huge headline totals" but would make available "the kind of help which we are particularly qualified to give."

He put the question of reunification squarely in terms of self-determination for the German people, which Britain had long supported. But he said this could take place only within the framework of the European Community and the countries which signed the Helsinki Final Act.

Britain's policy statements on German unity appear to be developing on similar lines to those by President François Mitterand of France – accepting the desirability of it in remarks made in Bonn, but pointing out the difficulties in visits to East Berlin.

Mr Hurd took a restrained view of the prospect of East German membership of the EC, pointing out that it would remain "a command economy" for some time, which would rule out full membership.

Commission seeks air deal

By **David Buchan**

THE European Commission yesterday proposed that individual EC states should let it become their negotiator with the rest of the world on the fixing of airline routes, just as it negotiates trade on the Twelve's behalf.

Mr Karel Van Miert, the EC transport commissioner, said there were "good and coherent" reasons why EC airlines would be able to get a better deal if the Commission bargained on their collective behalf than if they or their individual governments negotiated separately with third countries.

Yesterday's external policy proposals, which as a first step ask EC governments to let Brussels negotiate airlinks with countries of the European Free Trade Association (Efta) later this year, are an afterthought to the Commission's programme to deregulate air transport within the Community.

An important aim of this plan is to give carriers so-called fifth freedom rights – the right for an airline based in one EC state, to pick up passengers in a second state and deposit them in a third.

Day of violence and confusion in army-occupied Baku

SOVIET MEDIA reports of the state of emergency in the Trans-Caucasus have been mixed: some bending over backwards to tell their readers what they should think, and whom they should blame. Others have concentrated simply on giving a graphic account of the situation.

Here is yesterday's report in Komsomolskaya Pravda, Communist Youth League newspaper, by a correspondent in Baku, Dmitri Muratov:

DURING THE night, no shots were heard. I had hoped to file good news that there were no victims. There are... In shooting incidents three people were killed, two of them soldiers. A sergeant of the Interior Ministry troops was beaten to death.

● 9.40: The building of the central committee of the Komsomol of the republic is closed. Its official signboard has been torn down. The workers are not being permitted to enter. The apparatus of the central committee is meeting in the headquarters of student brigades. Just what should be done no one knows for sure. The situation is typical, not only for the Komsomol, but for practically all organisations of power.

Authority is in the hands of the military, the commandant of the city declared: "The state of emergency will be lifted as soon as the organs of Soviet power get the situation in the city under control, as soon as law and order is established, and the safety of the public is guaranteed." The question is, how is this to be done? How are we to begin the transition to peace? The people of the city are wound up, the strike continues, transport is not working. Neither local nor national newspapers are available.

Deputies of the Supreme Soviet of Azerbaijan meeting at an extraordinary session condemned the decree of the presidium of the Supreme Soviet of the USSR declaring a state of emergency in Baku, and demanded the urgent withdrawal in the shortest possible period of time of all military units from the city and several regions of the republic.

Further, once again the question is being raised about power. Now all political forces – the Popular Front and the Supreme Soviet, and (Communist) Party committees of the republic – are united in their demand for the withdrawal of the troops. But it is clear: after this their aims will again be different.

● 12.00: I go to see the President of the Republic. I enter the office of E.M.Kafarova with a delegation of captains of the "mutinous" Caspian oil and gas fleet (they demand either the withdrawal of the troops, or they will destroy more than 50 vessels and oil installations). The captains are wound up. Their voices are breaking with emotion. The situation is tense. Their ultimatum has just been extended. The conditions remain the same. The captains declare: "We will burn along with the fleet if our conditions are not met."

Kafarova replied: "Listen, let us finally calm down. We need to get the situation in the city under control. I beg you, do not be in too much of a hurry. After all, you know there is panic in the city. We are preparing to evacuate some of the Russian-speaking people. We must, we are simply obliged to create conditions whereby no one needs to be evacuated, and all people living in Baku feel safe. Don't act rashly. We will examine your demands once more, and we will try to fulfil them."

A short interview with E.M.Kafarova for Komsomolskaya Pravda. Question: "Were there alternatives to the decision to bring in the troops?" Reply: "Possibly extra militia should have been brought in, but bringing in troops and equipment at that time, when people had surrounded the city with barricades and were ready for a fight, was an ill-judged decision. We should have had a meeting again, perhaps at the (party) Buro, weighed things up, thought them out."

● 2.00: The units of Speznaz troops are preparing to leave, and the commander checks their flak jackets. He asks for his name not to be mentioned. "The troops had to be brought in, after all there was no one in power, and what could the police with their truncheons do with a crowd which was ready for pogroms? All the same, we would not have been able to get into the city in a peaceful way. Even cars with food supplies were not allowed to enter the city, and the city was blockaded from either side. And when on January 19 we entered... I was shocked. Our colonel headed for the barricades, and through a megaphone pleaded for them to disperse and to let the armoured column pass.

Personally I gave the command to the soldiers to clear the way. At that point a petrol bomb was thrown at the colonel, and bricks were thrown at the soldiers. A young man in his first year of service was shot in the head through his helmet... They say that the curfew has only worsened the situation in the city. But what was to be done? There was no one in power! Although I understand – we can stabilise the situation, but we cannot solve it. It is not our job to do so."

In the evening, a decree about disbanding the so-called "National Defence Committee" of the Popular Front, was signed by the military commander of the city. As of this moment, approximately 8pm on the evening of January 23, strikes, meetings, marches and gatherings have been banned by a decree of the commandant. This is the tragic picture of one day.

French press for tough Community curbs on Japanese car imports

By **William Dawkins** in Paris and **David Buchan** in Brussels

FRANCE WILL push for a tough curbs on Japanese car imports into the European Community at a meeting of EC foreign ministers in Brussels early next month, the Government said yesterday.

The decision, made at a meeting of the six ministers mainly responsible for European affairs, indicates that EC member states remain deeply split over whether to dismantle the bilateral controls on Japanese car sales now operated by five Community countries.

In Brussels, officials said the European Commission will seek a political signal from foreign ministers in early February on the future regime for Japanese car imports, but could have to wait many more weeks before starting talks with Tokyo on phasing out import limits.

The French Industry Minister, along with those of Italy and Spain will have met Mr Frans Andriessen, the Commissioner responsible for external affairs, by the time of the February 5-6 meeting of foreign ministers.

France has for long been one of Europe's strongest advocates of a strong line against Japanese cars. Its proposals, sensitive to the pleas of the country's large car industry, are more restrictive than the Commission's current ideas for ending bilateral import controls from January 1993.

At the other end of the spectrum, EC members like Britain, West Germany and Denmark, believe the Commission is not being liberal enough on car imports.

Mrs Edith Cresson, the French European Affairs Minister will present Paris' proposals at next month's meeting. Bilateral quota restriction on Japanese imports – currently limited to 3 per cent of the French market – should be maintained at least until some form form of EC-wide control was introduced, said officials.

They should be gradually enlarged, running for a time underneath *any Community* level restriction, for a transitional period possibly until 1999, they said. All vehicles made by Japanese-owned companies, whether assembled in the US or elsewhere outside Japan, would be counted as Japanese imports for this purpose.

The ministers agreed that the final decision on whether fully to open the EC car market should depend on the extent to which Japan opens its own market in all sectors.

In view of the sensitivity of the issue, and the informal, not to say, shadowy, nature of the deal the EC wants to negotiate with Japan, Mr Andriessen will not be presenting any written proposal to the early February meeting.

Indeed, the Commission says it does not want or need a formal negotiating mandate from EC governments, because the post-1992 curbs are to take the nominal form of voluntary restraint by Japan.

But EC officials say the issue *may have to be further dis*cussed by EC ministers in March, before a political consensus is reached.

The split, among EC states and inside the Commission itself, is over how long Japanese car exports to the EC should be subjected to "monitoring" by the Tokyo Government after 1992, and whether Japanese car production inside the EC, or in third countries like the US or Eastern Europe, should be covered by the restraint.

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Fed forecasts slow growth for economy

By Peter Riddell, US Editor, in Washington

ECONOMIC activity is expanding slowly in most of the US, although it has slackened over the past seven weeks, according to the Federal Reserve's survey of conditions known as the Beige Book.

The report, a summary of regional activity to be considered by the Fed's policy-making Open Market Committee in two weeks, says the outlook is for slow growth this year, with prices (except for fuel) remaining under control.

In a statement yesterday aimed at reassuring weak financial markets, President George Bush acknowledged that the economy had "slowed down a little. There's a lot of prediction that it will be slow for a while and then have a rather robust step-up come summer."

Mr Bush said he thought "people see the US as still the safest haven for investment anywhere in the world, and I want to conduct the fiscal policies of this government so they will continue to see it that way.

"If we can get the co-operation of Congress that we need on reducing the deficit, that will go a long way, not market prices, but in terms of the fundamentals on the economy."

However, the Congressional Budget Office yesterday estimated that the federal budget deficit for fiscal 1991, starting this October, would be \$138bn (before taking account of next Monday's budget).

This compares with the Administration's expected projection of around \$100bn on unchanged policies and the target of \$64bn under the Gramm-Rudman deficit reduction law.

The upward pressures on the deficit were underlined yesterday by Mr William Seidman, chairman of the Resolution Trust Corporation, which is handling the rescue of the savings and loan industry.

He told a congressional committee that the \$50bn approved for the rescue last year was "probably too low a figure".

The Beige Book notes that, within the overall pattern of slow expansion, "conditions are somewhat stronger in the west than the east".

Manufacturing activity is "generally sluggish with production declines in some industries (autos, in particular) offsetting gains in others (such as commercial aircraft and oilfield equipment).

"The outlook is for slow growth in all regions in 1990; some respondents expect improvement late in the year."

The report says "except for fuel, input prices were said to be steady or falling.

"Scattered evidence suggests that selling prices were also steady of falling, with discounting occurring in some industries."

Bush plea for China policy backing

By Peter Riddell in Washington

PRESIDENT George Bush yesterday warned of "potentially great" long-term policy consequences for US/Chinese relations if both houses of Congress vote, as expected, to override his veto of legislation allowing Chinese students to stay in the US.

In a last-minute appeal ahead of the House vote on the bill (requiring a two-thirds majority to override his veto and become law), Mr Bush urged Congress to look at the broader issues. He cited recent positive steps taken by the Peking authorities and what he called "Asian reasons – Cambodia and Japan – that we should retain relations with China."

There were, he said, "geopolitical reasons to have good or improved relations even under these unsatisfactory conditions." He pointed to China's role as "a key player" in relation to a lot of countries in the Pacific.

Mr Bush said contacts with the West had helped pull China out of what he called a "Middle Kingdom" syndrome and move forward. "I'd like to think that our representations will have them move forward on the human rights side so we can have a more normalised relationship with them."

Accepting the vote was probably lost in the House, Mr Bush conceded that he and the administration could have "done better and sooner in presenting the facts of this case."

On the specific legislation, Mr Bush stressed that by executive order Chinese students in the US would be protected. However, he warned that if he had signed the "totally unnecessary" bill, China would retaliate and cut off future student exchanges, which "had brought forward the reforms that have taken place in China."

A veto would keep the door open for more Chinese scholars to study in the US.

Following the Tiananmen Square massacre last June, the plight of the Chinese students has captured the political imagination of many in the US and there has been strong bipartisan opposition to the president's desire to keep open high-level contacts with the Peking regime.

Moscow's problems create dilemma for US

By Lionel Barber in Washington

PRESIDENT Mikhail Gorbachev's difficulties in the Caucasus and the Baltic states pose a dilemma for negotiators as they prepare for next month's meeting in Moscow between Mr George Baker, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

President George Bush has pledged that the US will not take advantage of the political upheaval in Eastern Europe but it is questionable whether this pledge applies as well to upheaval in the Soviet Union.

Mr Bush stated last December that he wants his negotiators to reach a strategic nuclear arms (START) agreement by June, an ambitious target which has been criticised in Congress. Mr Baker has stated that he believes in "locking in" arms control agreements while Mr Gorbachev remains in power. But sceptics, particularly in the Pentagon, are pressing for a more cautious approach.

This week, the administration announced that it would not begin new negotiations with Moscow on underground nuclear testing until revisions to a 1974 testing treaty are agreed and implemented. The decision appears to break a pledge made to Congress by President Reagan, and is attributed to Pentagon concern that testing constraints could hamper development of modern US warheads.

Equally delicate is whether Mr Baker will use the Moscow meeting to raise the issue of the Baltic states. The US has drawn a distinction between the use of force in the Transcaucasus and repression in the Baltic states of Estonia, Latvia and Lithuania which it believes were annexed illegally by the Soviet Union in 1940 as part of a secret pact with Nazi Germany.

One senior US official hinted recently that the US would like to see Mr Gorbachev further develop his ideas for a new national federation in which the Baltic states would enjoy large-scale autonomy. "It is our view that Baltic independence is something that will happen at some point," the official said.

More loans for Mexico projects

By Richard Johns in Mexico City

THE WORLD Bank has further increased its heavy commitment to Mexico – one of the three main beneficiaries of its lending – with the signature of two loan agreements totalling \$450m. These bring to about \$4bn the amount of its funds to be disbursed in the country.

Most of the new credit has been assigned to the Government's National Fund for People's Housing, which provides housing for those on low income.

The state is to contribute a similar amount as part of five-year programme aimed at satisfying developmemnt requirements in border towns, a project which should ease bottlenecks in the expansion of in-bond, industries in the north of Mexico by the US border.

A second loan goes to the Commercial Development Fund (FIDEC) to help the marketing of agricultral produce from processor to consumer – with the object also of creating 20,000 new jobs – and to increase private sector participation in food distribution.

This is still dominated by the state-owned subsidised giant Conasupo.

Argentine minister quits

By Gary Mead in Buenos Aires

MR ITALO Luder, Argentine Defence Minister, has resigned, increasing speculation that President Carlos Menem's government is rapidly approaching a political crisis to match the country's persistent economic upheavals.

Mr Luder, 73, gave as his reasons Mr Menem's failure to reprimand General Isidro Cáceres, army chief of staff, for having solicited a meeting with the president without first clearing the request with the minister.

The latter's political status is ambiguous. As an acting president for a month during the 1970s, he sanctioned a decree which paved the way for the dirty war by the military, during which 9,000 Argentines disappeared.

His defeat at the polls in 1983, when he stood as Peronist presidential candidate against Mr Raúl Alfonsín did not dent his role as the only elder statesman the Peronists have. His sudden departure represents further credibility loss for an already weakened cabinet.

His replacement will face continuing pressure from army rebels backing ex-Colonel Mohamed Ali Seineldin.

Brazil delays Paris Club payment to save reserves

By Ivo Dawnay in Rio de Janeiro

BRAZIL has delayed a \$980m interest payment on its debts to the Paris Club group of sovereign creditors, claiming that phased payments are necessary to protect reserves.

The decision, repeating a similar move last June, is one of a series of defensive measures by the outgoing government of President José Sarney, before it hands power to Mr Fernando Collor de Mello on March 15.

Even so, this will irritate some harder-line foreign creditor governments on the eve of the president-elect's 20-day tour of nine countries.

Brazil has spent a good portion of the last two years negotiating an end to a *de facto* moratorium on Paris Club interest payments and restoring its eligibility for cover from the world's export credit and insurance banks.

The country is now \$4.6bn behind on payments due to commercial bank creditors under a 1988 rescheduling agreement, according to Mr Sergio Amaral, a senior Brazilian debt negotiator. Service of World Bank and International Monetary Fund loans is up to date.

Mr Amaral said that the decision to delay or stagger Paris Club payments would be understood by foreign partners as necessary to preserve currency reserves, which were \$7.2bn at the end of December.

"If reserves increase rapidly, we will pay rapidly," he said. This appears unlikely, however, as Brazil's trade surplus has now fallen to below \$1bn a month and there are reports that some overseas banks are beginning to reduce voluntary export credit loans.

Pressure has been continuing from commercial creditor banks for Brazil to make at least a symbolic goodwill payment of interest on its \$60bn in medium and long-term loans.

But last week, Mr Mailson da Nobrega, Finance Minister, told Mr John Reed, Citibank president, and Mr William Rhodes, chief negotiator for private sector creditors, that Brazil's precarious reserves position must continue to take priority.

Yesterday, Mr Collor told a news conference before his trip abroad that his government would table a proposal on foreign debt within a week of his inauguration. But he repeated his promise that debt service would not occur at the expense of national economic growth.

Reports say Mr Collor has abandoned a widely discredited plan to try to force creditors to revert to dealing with their original borrowers – many of them public sector companies – and is now disposed to a more conventional negotiation.

It is clear that his broadly orthodox prescriptions for Brazil's inflation-riddled economy have been well received abroad.

Edging forward in Canada's snowdrift

Bernard Simon profiles Jean Chrétien

A CURRICULUM vitae which includes 23 years in parliament, seven election victories and almost every senior cabinet portfolio ought to a politician's dream.

But this remarkable record is also one of the few liabilities of Mr Jean Chrétien, the earthy Quebecker who formally returned to politics this week by declaring his candidacy for the leadership of Canada's opposition Liberal Party.

Mr Chrétien, 56, is widely regarded as the frontrunner in the race, which will be decided at a convention in June.

A recent Gallup poll had 46 per cent of Canadians set to vote Liberal if he were leading the party, with only 24 per cent supporting the ruling Progressive Conservatives. More than a third of the Liberal MPs were on hand to pledge support when he announced his candidacy on Tuesday.

Mr Chrétien's main rival for the leadership is Mr Paul Martin, 51, once head of Canada Steamship Lines, the country's biggest shipping company.

The Quebec hopeful's problem is that his wealth of experience was gained in the 70s and early 80s under then former prime minister Mr Pierre Trudeau. Many of the latter's interventionist policies have been reversed in the past five years and would attract little support now.

Also, Mr Chrétien has been out of the public eye since he lost the 1984 Liberal leadership race to Mr John Turner, who is about to step down after 5½ turbulent years. The Martin camp has labelled Mr Chrétien "Yesterday's Man".

Mr Chrétien gave grist to his opponents' mill last week by acknowledging that he had consulted Mr Trudeau, who practises law in Montreal, about a key speech on constitutional reform. These criticisms aim at weakening Mr Chretien's trump card – a grass-roots popularity across the country matched by few other French-Canadian politicians.

His small-town background, his thick French-Canadian accent (he could barely speak English when he entered Parliament in 1963) and his folksy wisecracks have all made their mark – as has his directorship of Toronto Dominion Bank, one of Canada's big five banks.

While away from politics, he worked for Gordon Capital, Toronto's most aggressive securities dealer, and for a blue-ribbon law firm.

Mr Chrétien would not abrogate the US-Canada free trade agreement, but says he would try to renegotiate some of it.

Swimming against the tide in Quebec, he opposes the constitutional agreement known as the Meech Lake accord, which recognises the francophone province as a "distinct society". But Mr Chrétien also plays down the fuss that surrounds the agreement: "We're stuck in the snow. We Canadians know what to do when we're stuck in the snow. You don't get excited, you don't spin your wheels. You just go forward, backward, forward, backward, and eventually you're back on the road."

Bitter election battle expected in Japan

By Ian Rodger in Tokyo

JAPANESE voters will go to the polls on February 18 after what promises to be the most bitter general election campaign in memory.

Mr Toshiki Kaifu, the Prime Minister, yesterday dissolved the lower house of the Diet (parliament) for an election that will also severely test the popularity of the ruling Liberal Democratic Party. Concern that the LDP, which has dominated Japanese politics for more than 40 years, might lose the election, has contributed to the weakness of the yen and to a slump in the Japanese bond and stock markets since the beginning of the year.

The hegemony of the conservative LDP is threatened because of public disenchantment with some of its legislation and with the involvement of some of its leaders in the Recruit favours-for-bribes scandal last year. Last July, in partial elections to the upper house of the Diet, the LDP suffered a crushing defeat, losing its majority there.

Opposition parties are again seeking to capitalise on the LDP's unpopularity, asking for public support mainly on the basis of a commitment to abolish an unpopular 3 per cent consumption tax introduced last April by the LDP.

In response, the LDP has already begun a campaign, with strong verbal and financial support from the business community, aimed at frightening voters about the possible consequences of the opposition parties gaining power.

Mr Eishiro Saito, chairman of Keidanren, the federation of economic organisations, said yesterday that Japan's business community would support the LDP vigorously "in order to maintain the free economic system".

At the dissolution yesterday, the LDP held 295 of the 512 seats in the Diet followed by the Japan Socialist Party with 83 and the Komei (clean government) party with 54. LDP leaders are hoping to maintain a bare majority but the JSP, which is aiming for a big increase to about 140 seats, hopes to form a coalition with the Komei and other minor parties to oust the LDP.

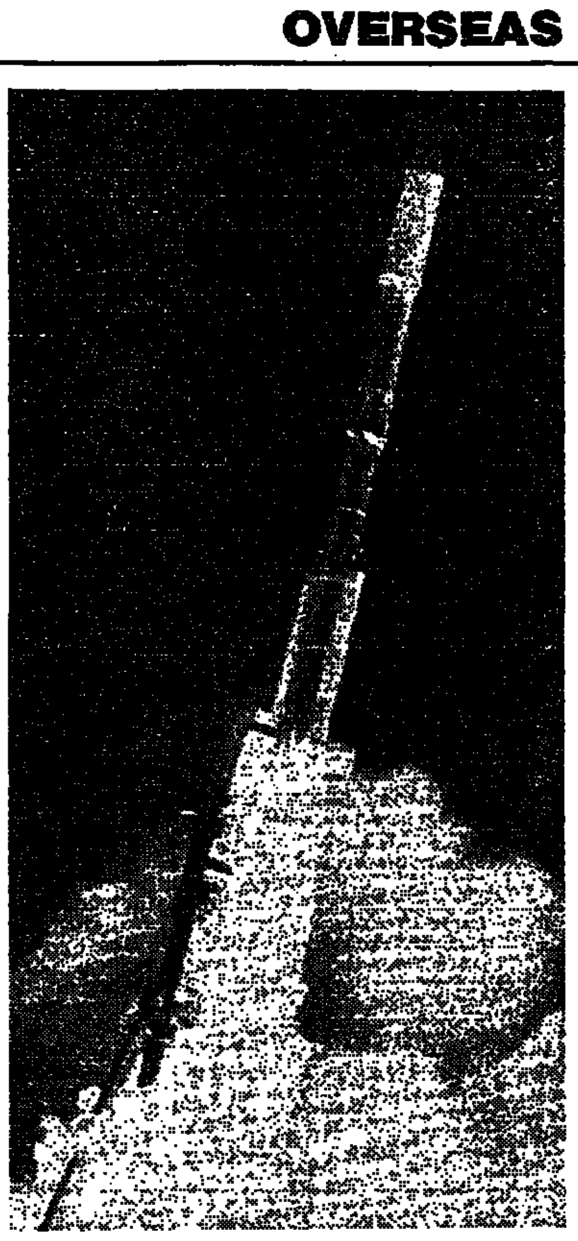
If the JSP succeeded, there could be significant changes in foreign and economic policies. The JSP is committed to abolishing Japan's defence forces and the Japan-US security treaty. It also rejects nuclear power development and does not recognise the government of South Korea.

Government officials fear that a JSP-led government might also be more protectionist than the LDP, risking an exacerbation of tensions with the US and other trade partners.

However, the JSP's potential coalition partners all reject the JSP's radical policies. Attempts to form a coalition are therefore likely to founder unless the party moderates its stand, particularly on security and South Korea.

Even if the LDP succeeds in retaining a majority of seats in the lower house, Mr Kaifu is not expected to remain Prime Minister much longer. A man without a strong power base within the party, he was drafted last summer when the LDP was desperate to find a senior politician within its ranks untainted by scandal. However, once the election is over, other party leaders are likely to consider themselves purified and suitable again to hold high office.

A record number of candidates, more than 900, is expected to enter the campaign.


Muses-A lifts off with satellites for lunar orbit

Japanese aim for the moon

JAPAN'S first spacecraft bound for the moon rocketed into the night skies off the coast of southern Japan on Wednesday on a mission that is part of an ambitious space programme, a launch official said, Reuter writes from Tokyo.

The Muses-A spacecraft blasted off at 1146 GMT carrying two satellites that will reach the moon on March 18, said the official of the Government's Institute of Space and Astronautical Science (Isas).

If all goes well, Japan will become the third nation after the US and Soviet Union to send a probe into orbit around moon.

The Muses-A mission is aimed at teaching scientists and engineers how to harness the gravity of the moon to land spacecraft on the lunar surface or to swing them deeper into space to rendezvous with Venus or with comets. Such missions are being contemplated for later this decade.

The mission is only a small portion of Japan's efforts to exploit the commercial resources of outer space.

Incoming wave of Soviet Jews raises Palestinian fears

By Hugh Carnegy in Jerusalem

PALESTINIAN and other Arab leaders are worried that a mounting wave of immigration by Soviet Jews to Israel will upset the political balance in the area to the detriment of the Arab side. They are particularly concerned by the prospect that many of the immigrants will join Israeli settlements in the occupied West Bank and Gaza Strip.

Yesterday Mr Marwan Qassem, the Jordanian Foreign Minister, reflecting concern already expressed by King Hussein, said the absorption of Soviet immigrants in the occupied territories "could only disturb" the already faltering peace process.

He said Amman had raised the issue with the Soviet Union, the US and other countries and would pursue it at a meeting of Arab foreign ministers in Tunis next month. "There are many countries that can discourage the exodus," he told the Jordan Times newspaper.

Earlier this week, some 25 senior Palestinians from the West Bank and Gaza signed a memorandum to foreign consuls in Jerusalem protesting at "the grotesqueness of the injustice of importing Im Soviet Jews to this country."

They fear the arrival of large *numbers of immi*grants – 250,000 are expected over the next three years – will tip the demographic balance in the area against the Palestinians and encourage "Israeli entrenchment, territorial expansion and intransigence."

Already Mr Yitzhak Shamir, the Israeli Prime Minister, has fuelled their alarm by suggesting that Israel must hold on to the occupied territories in order to absorb the immigration surge.

The issue is likely to cause friction with the US, from which Israel wants government guarantees to back loans of $400m to help absorb the immigrants. Washington is strongly opposed to any Jewish settlement within any of the territory captured by Israel in the 1967 Six Day War.

Israeli officials say only a tiny proportion of the immigrants, now arriving at the rate of about 5,000 per month, end up in the territories. But they evidently do not count the large numbers they admit are going to settle on the periphery of Jerusalem, such as Gilo and Maale Adumim, which lie inside the lands occupied in 1967 but have been annexed to the city. Settlements deeper in the West Bank, such as Ariel, are also courting the Soviet newcomers.

Two die as S African police fire on marchers

By Jim Jones in Johannesburg

TWO people were shot dead yesterday and at least nine injured in the South African gold mining town of Carletonville when police opened fire on a protest march by 5,000 black people. The demonstration was in protest at the death in detention of a 16-year-old boy last week.

A doctor, who took part in the march and treated some of the injured, said police opened fire without provocation and many of the demonstrators were shot in the back. A police spokesman said the marchers were warned to disperse and that police opened fire only after they had been stoned by the marchers.

The shootings came as President F.W.de Klerk's cabinet was meeting for the first time this year, with the release of Nelson Mandela and the lifting of restrictions on the ANC and other anti-apartheid groups high on the agenda. By late yesterday no details of the cabinet's discussions had been disclosed.

Yesterday's shooting is the second violent incident this week. On Tuesday demonstrators in Cape Town protesting about segregated education were forced on to razor wire when the police opened fire with water cannons and rubber bullets. Marchers subsequently ran amok in the city centre.

Sihanouk quits yet again

By Robin Pauley, Asia Editor

PRINCE Norodom Sihanouk, the exiled Cambodian leader, has resigned yet again as head of the three-party opposition coalition although he has retained his title as president of Cambodia.

Prince Sihanouk has resigned the leadership of the coalition at least five times but has been persuaded to return each time.

Tata Tea picked for £1bn project

THE Marxist government of the eastern Indian state of West Bengal yesterday chose a big private company, Tata Tea, as its partner for a Rs30bn (£1.1bn) petrochemicals project at Haldia on the Hugli River estuary, writes K.K. Sharma in New Delhi.

The project was approved by Mr Rajiv Gandhi, former Prime Minister, just before last November's election

Australian dollar dips on interest rate fall

By Chris Sherwell in Sydney

THE Australian dollar slid further on Sydney foreign exchanges yesterday as money market interest rates continued to weaken in response to the Government's decision on Tuesday to ease monetary policy.

In further comments on the decision, Mr Bob Hawke, the Prime Minister, and Mr Paul Keating, the Federal Treasurer, rejected suggestions that it was politically motivated by the looming general election.

The poll is due to be held by May 12, and the calculating Mr Keating said yesterday that he thought May was "probably the right time" to hold the election. That immediately prompted speculation that it might come sooner.

The Australian dollar finished the day at 76.9 US cents, down from 78.05 cents at the close on Tuesday. On a trade weighted basis it dipped to 59.5 (May 1970 = 100) from 60.6.

A cut in the Reserve Bank of Australia's 18 per cent rediscount rate looked certain to be announced today after the results of yesterday's weekly tender. The average yield on A$700m of 90-day bills was 16.269 per cent, compared with 17.283 per cent a week earlier.

On the money markets, the 90-day bill rate fell to 16.75 per cent from 16.95 per cent on Tuesday, while the ten-year bond rate remained unchanged at 12.75 per cent.

The share market weakened, partly on the back of falls in Tokyo. The All Ordinaries index finished at 1659.3, down 5.5 points, but the banks index bucked the trend, on expectations that they were major beneficiaries of the policy switch.

Reaction yesterday to the government's long-awaited move was mostly positive, particularly from exporters hoping to benefit from a weaker dollar. Yesterday's closing rates, however, were still only at levels of three months ago.

Expatriate worker shot dead on Bougainville

SECESSIONIST rebels on the Papua New Guinea island of Bougainville yesterday shot dead a British-born expatriate contractor working on the controversial copper and gold mine which is now being mothballed, Chris Sherwell reports from Sydney.

In Canberra last night the Government advised Australians on Bougainville that they should leave the island as soon as possible.

Mr Michael Whortley, the manager for Bridgestone Tyres at the Bougainville Copper mine, was the first European to die in the militants' campaign of sabotage and killing which began in November 1988. Some 60 Papua New Guineans have died.

The attack occurred near an air strip which has been hastily constructed on the mine's tailings dumps to permit a possible emergency evacuation of remaining mine employees.

In a separate incident yesterday, another group of rebels set fire to a small commercial aircraft belonging to Bougair, a local carrier. Last year the airline lost another of its aircraft in an attack on Kieta airport, an hour's drive from the mine.

Yesterday's events followed claims on Tuesday by the government's security forces that they had destroyed the rebels' headquarters as part of "Operation Footloose" begun earlier this month.

The past ten days have seen an escalation of violence following the start of the security forces' operation and coinciding with high-level ministerial talks in Port Moresby between the Papua New Guinea and Australian governments.

The Bougainville mine, operated by CRA, the Australian resources group, has been closed since May last year.

Peres remains optimistic about peace process

By Max Rodenbeck in Cairo and Hugh Carnegy in Jerusalem

MR Shimon Peres, the Israeli deputy Prime Minister, emerged from a meeting with President Hosni Mubarak of Egypt yesterday saying differences holding up the start of Israeli-Palestinian peace talks were capable of being solved quickly. But he offered little evidence that such a step was in prospect.

"My impression is that the remaining problems can be solved swiftly," the Labour Party leader said, echoing the positive note he struck on Tuesday about US-brokered efforts to start negotiations between Israeli and Palestinian delegations in Cairo intended to bring peace to the Israeli-occupied territories.

However, Mr Peres conceded that there were still differences over the central issues of the composition of the Palestinian delegation, who should announce its formation and on the question of the agenda for the talks.

On each of these points, Mr Peres and Mr Yitzhak Rabin, the Labour Defence Minister and key figure in coalition, are clearly close to agreement with the US, Egypt and, albeit at arms length, the Palestinian Liberation Organisation. But progress has stuck on the much tougher positions of Mr Yitzhak Shamir, the Prime Minister, and his hardline Likud Party.

On the question of who makes up the Palestinian delegation, Mr Peres said Labour had agreed to a suggestion that two Palestinians deported by Israel should be added to the main figures from within the occupied territories.

In Israel, however, Likud officials said Mr Shamir continued to object to the inclusion of deportees and residents of East Jerusalem. Similarly, he wants no PLO involvement in the naming of the Palestinian group and wants to limit the agenda to Israel's proposal to hold elections in the territories.

Westinghouse in talks on lawsuit

Westinghouse Electric has proposed to settle a lawsuit filed by the Philippines over an allegedly defective nuclear power plant, a government official said yesterday, Our Foreign Staff report.

The Presidential Committee on Philippine Nuclear Power Plant said the Government was studying the offer and had been meeting lawyers of the defendants. Westinghouse said it had made no specific settlement proposals "but we are in continuous discussions with the Philippine Government".

President Corazon Aquino's Government filed a civil suit against Westinghouse, its subsidiary Westinghouse International Projects and the contractors, Burns and Roe Enterprises Inc., before a US District Court in Newark, New Jersey on December 1, 1988.

The Government charged that Westinghouse built a defective 620-MW plant in Bataan province, west of Manila, and that the companies bribed the late President Ferdinand Marcos to win the $2.3bn contract. Westinghouse has denied the allegations.

Murder of Sikh hardliner complicates Punjab issue

By K.K. Sharma in New Delhi

SIKH factional politics took an ominous turn yesterday when Mr Harmandir Singh Sandhu, general secretary of the powerful and militant All India Sikh Students' Federation (AISSF), was assassinated in his home in the holy city of Amritsar.

Mr Sandhu was released from prison with other militant leaders, including Mr Simranjit Singh Mann who now leads the dominant faction of the Sikhs' main political party, after eight were elected to parliament in last November's elections. Mr Sandhu was jailed after the army stormed the Golden Temple at Amritsar in June, 1984, to flush out militants.

Since his release, Mr Sandhu has advocated an extreme line and maintained that the Sikhs should strive for Khalistan, the independent homeland sought by radicals. Mr Mann has not supported the demand and has favoured a solution within the framework of the Indian constitution through negotiations with the Government.

The assassination of Mr Sandhu is thought to be part of the squabbling within the AISSF which, with the five-member underground *panthic* (religious) committee and Damdami Taksal, a Sikh seminary, provides the leadership for the militants. The killing shows that finding a solution to the Punjab question is more complicated than just holding negotiations with the militants – which Mr V.P.Singh, India's Prime Minister, is seeking.

Kashmir police strike poses fresh threat to security

By David Housego in Srinagar, Kashmir

INDIAN security forces in Kashmir yesterday faced a fresh challenge to their authority when about 200 local police, some carrying their weapons, marched through Srinagar, the capital, shouting "Indian dogs go home" and pro-Islamic slogans.

Police from the Jammu and Kashmir force, which as a largely locally-recruited force plays a key role in security operations, marched on the police headquarters where they staged a noisy protest. They complained they had borne the brunt of the unpopularity of the recent shooting by the army and para-military forces on crowds defying the curfew in the capital. They also raised general grievances including the demand to form a union.

In an emotional speech, the spokesman for the strikers – a member of the local CID – said that army patrols demanding curfew passes had harassed police returning home from duty. "They say 'we don't know if you are police or Pakistani dogs', the spokesman said. He added: "We have done our duty to the best of our abilities and we have got nothing from it."

Senior officials sought to minimise the situation. Half-an-hour before the demonstrators marched on the police headquarters, with police in the streets telling journalists that they were on strike, Mr J.N. Saxena, head of the police, said: "I have visited my police stations and there is no strike anywhere."

Later, after the authorities had moved to defuse the situation, Mr Jagmohan, the new governor, addressing his first press conference since taking office, said there was "no serious problem" and described the demonstration as "discontent in a small section" of the police.

It was unclear last night how widespread the unrest was. There were reports of a similar strike in Baramulla, another town in the Kashmir valley, while other policemen said they had refused to take part in a rehearsal yesterday for the Indian Republic Day ceremonies tomorrow.

Senior police officers, speaking off the record, said the trouble was due to "reckless recruitment" in the Jammu and Kashmir police of people who had not been properly screened. But it is clear that the demonstration, coming when the security forces are under maximum pressure, weakens their ability to handle an insurgency.

Curfew throughout the Kashmir Valley continued into its fourth day with the streets resembling a graveyard.

In downtown Srinagar, curfew restrictions were lifted for four hours early yesterday but in the centre the relaxation was cut to two hours.

Five people were reported killed in the Valley over the last 24 hours – including one in Srinagar – a diminishing death toll in which the authorities take comfort. The true number of those killed or injured remains impossible to verify in an emotional atmosphere where rumours spread rapidly.

In Srinagar, there was firing in the city in the morning and a bomb explosion. The headquarters of the National Conference, the Kashmir regional party led by Dr Farook Abdullah, the former Chief Minister, has been ransacked and all the portraits destroyed except those of the Urdu poet Iqbal and Mr M.A. Jinnah, founder of Pakistan.

At his press conference, Mr Jagmohan sought to minimise the extent of popular anger and support given to the militants – speaking of the agitation as "a temporary mood". In a deliberately conciliatory tone, he said his message to the militants was "kindly surrender your weapons so that there is not a need for a search [of houses] which causes some unpleasantness".

HK Vietnamese ask for boats back

A group of 107 Vietnamese boat people are asking Hong Kong to hand back the boats in which they arrived from Vietnam about six months ago so that they can sail to Japan, John Elliott reports from Hong Kong.

They claim they were forced to land in Hong Kong by marine police.

The 107 are refusing to leave a camp in the Kowloon area which is being cleared for a housing development. The rest of the 3,000 inmates have moved to the high-security Whitehead detention centre.

Two boat people in Whitehead have threatened to commit suicide early today as a protest against Hong Kong's policy of mandatory repatriation and the screening procedure used toseparate refugees from those to be sent home.

Cairo lacks either the strength or legitimacy to administer medicine

Nasser's state subsidies and Sadat's high oil price years have made it difficult for their successors to get tough, writes Michael Field

THERE is no good scenario for the Egyptian economy – just bad and terrible – but then that is how it has always been, a diplomat in Cairo remarked recently.

Egypt's economic problems are more daunting than those of other Middle Eastern countries and the Government and its creditors have had to be slower, more humane, and more generous in the way they have gone about economic reform and debt rescheduling.

At the root of the difficulties is a population of 55m – a third of the people of the Arab world – and growing by a million every nine months. The country used to be self sufficient in food; now 60 per cent is imported. As fast as new land is brought under irrigation other land is swallowed by expanding towns.

The population benefits from subsidies on wheat, sugar, rice, vegetable oil, electricity and fuel, introduced by President Gamal Nasser in the 1950s and 1960s. The subsidy comes from the Central Bank Pool which converts foreign exchange from the Suez Canal, oil and cotton sales into Egyptian

pounds at a rate of E£1.70 to the dollar. The market rate is E£2.60.

The late President Nasser's government, likewise, was the origin of the law which is supposed to guarantee every university graduate a job in the government.

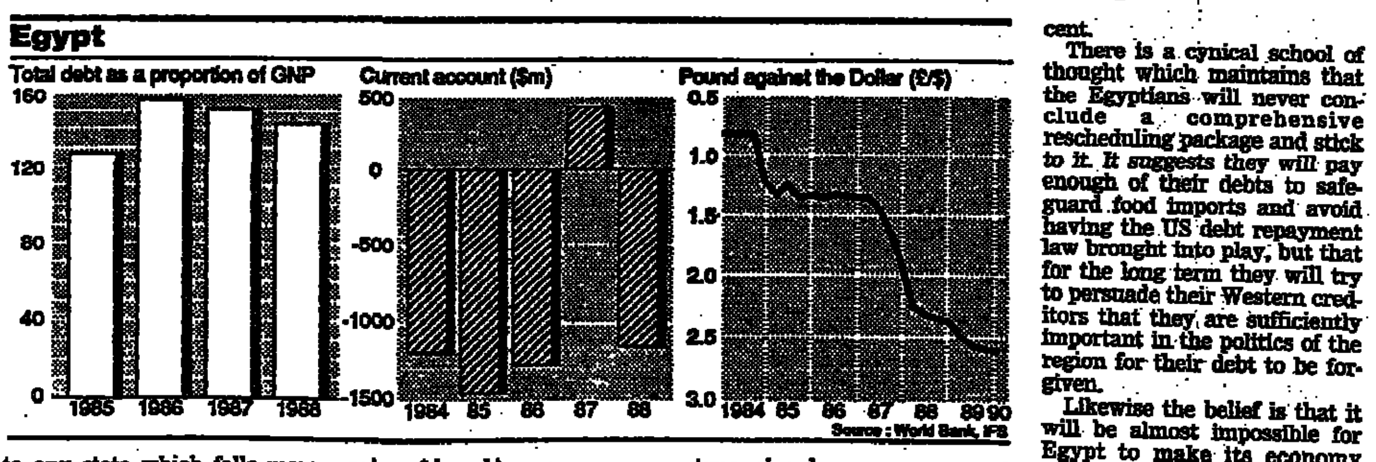
Expectations were reinforced during the consumption boom under President Anwar Sadat, when Egypt benefited from high oil prices, Arab aid (until it made peace with Israel in 1978), and an increasing flow of remittances from its workers abroad.

The danger is that any abrupt change in the system might lead to political instability. A large part of the population, including the people who live in the tombs on the outskirts of Cairo, earns scarcely enough to survive. Some have incomes of E£50 a month (£12).

Recognising this the International Monetary Fund and the US Government have been more generous to Egypt in rescheduling its $45bn debt perhaps than to any other country.

Despite the good will the process of renegotiation has been difficult. A deal was struck with the IMF and the Paris Club of Government creditors in May 1987 but it was suspended at the end of the year because Egypt found itself unable to reduce its budget deficit by the agreed amounts.

Since then Egypt has allowed its arrears to accumulate, paying only those governments that have made new credits conditional on it keeping current on outstanding loans. This applies in particular to the US, which by law is obliged to cut off all assistance



to any state which falls more than 12 months in arrears on servicing a debt.

Progress on a new rescheduling deal began to be made last year after the Egypt introduced a 1989/90 budget which raised energy prices, stamp duties and the tax on cigarettes, as well as subtly increasing the price of bread by phasing out the two piastre loaf and replacing it with a bigger but less subsidised five piastre loaf. (The current subsidy amounts to about 40 per cent of the real price of bread.)

The sticking points in negotiations between the Egyptians and the IMF are three: the IMF wants the Central Bank Pool exchange rate brought into line with the market rate in one step, rather than in stages as the government suggests. The fund does not want to eliminate the food subsidies that are financed from the Pool – it says the population is too poor for that – but it wants to make them more visible, believing that once their true size becomes apparent there will be a stronger consensus in favour of reducing them.

Second, the fund wants the "market rate" for the Egyptian pound, which is set daily by a committee, to reflect market forces more accurately. In effect it wants to see a faster depreciation. Third, the IMF wants bank interest rates moved up in steps to a point where they are positive in real terms. At present depositors are paid up to 16 per cent and inflation is running at 35 per cent.

There is a cynical school of thought which maintains that the Egyptians will never conclude a comprehensive rescheduling package and stick to it. It suggests they will pay enough of their debts to safeguard food imports and avoid having the US debt repayment law brought into play, but that for the long term they will try to persuade their Western creditors that they are sufficiently important in the politics of the region for their debt to be forgiven.

Likewise the belief is that it will be almost impossible for Egypt to make its economy more productive by dismantling the state sector and selling the industries nationalised in the 1960s back to private businessmen. Apart from putting great numbers out of work this would be far too politically sensitive a move in a society which still has a collective memory of exploitation by foreigners and *pashas*.

A more optimistic view is that there are beginning to emerge some of the preconditions for radical change. It is said that even the poor, and in particular the diminishing poor middle classes, are coming to realise that the Government cannot continue to provide cheap food, guaranteed employment and free education for all. The wait for a guaranteed job is four to six years and getting longer, while the standard of teaching has fallen so low in some places that free education is hardly worth having.

The difficulty for the government in using this mood as a basis for radical and painful reform is that it lacks authority. It has neither the strength of a virtual dictator which is what Nasser was, nor the legitimacy of a government in a proper democracy.

The country has a free press, partial freedom for political parties – the Moslem Brotherhood and the Nasserites are still banned – and free elections under laws that are biased in favour of the ruling National Democratic Party. Until this system is made freer and fairer there will probably not be a government that will have the confidence to take the unpopular decisions that need to be taken.

Warsaw requests new terms for Gatt membership

By William Dullforce in Geneva

POLAND will today ask to change the terms of its membership of the General Agreement of Tariffs and Trade (Gatt). The Solidarity-led Government's aim is to assist the country's transition to a market economy by securing the full benefits of the multilateral trading system.

So far Poland's relationship with Gatt has been unique in that the protocol of accession it negotiated in 1967 did not guarantee it the "most-favoured-nation" treatment, which provides the foundation of the world trading system. Poland did not adopt a tariff schedule but made an unrealistic commitment to increase imports by 7 per cent a year, which proved impossible to meet and which led many other Gatt members to use escape clauses in the protocol to deny Poland full Gatt treatment.

Under the economic reforms a customs tariff was introduced in January 1988 and only a small number of products are now subject to import licensing. Liberalisation has opened the way for Polish companies to engage directly in export and import operations and for foreign investors to conduct business in Poland under the same conditions as domestic enterprises.

Warsaw's formal application to renegotiate the terms of its Gatt membership follows agreement with the International Monetary Fund on a stabilisation programme which came into into effect on January 1. The devalued zloty has been made convertible, nearly all subsidies have been abandoned and the Government claims that more than 90 per cent of domestic prices are now regulated only by supply and demand.

All these changes, Poland argues, justify a radical modification of its Gatt protocol. No opposition is foreseen.

● Comecon's special committee set up earlier this month to prepare a reform programme is to meet in Prague on February 11, according to Czech official Mr Vladimir Dlouhy.

Mexican team due for UK talks on steel mill

By Richard Johns in Mexico City

RESUMPTION by Davy McKee, the Sheffield-based engineering company, of construction of a steel plate mill on Mexico's Pacific coast is expected to be discussed when President Carlos Salinas de Gortari and his ministerial team visit London at the weekend.

The mill, at the Sicartsa complex at Lazaro Cardenas, Michoacan, was being built under a £100m contract. But the project ground to a halt in 1984 when it was about half finished, as a result of Mexico's financial crisis, which came to a head two years earlier.

Klöckner, the West German trading company, is understood to have been involved in discussions with the British concern and Mexico's government on a scheme whereby completion of the project would be paid for by sales of its products.

The Mexican Government has a considerable incentive to see the plant built even though it does not have the funds to finance the completion. Interest payments have been maintained, but next year amortisation becomes due and it will also be contractually liable to refund the aid trade provision (ATP), the component provided by British official assistance.

Davy McKee in Sheffield said: "We are anxious that the project should be completed and that positive steps should be taken to this end."

During the London visit it is believed that Mr Jaime Serra Puche, Mexican Minister of Commerce and Industry, will meet with Mr Roger Kingdon, Davy McKee's chief executive.

Lebanese airline in talks on jet purchases

By Lara Marlowe in Beirut

MIDDLE East Airlines (MEA), Lebanon's national flag carrier, is considering the purchase of three used Boeing 757-200s for approximately $100m.

The aircraft are owned by American Express, which would finance the lease-sale deal, and have been operated out of the United Kingdom by Air Europe. They are about six years old.

An inspection team of MEA executives headed by Mr Nazareth Karacashian, vice president for engineering, and Mr Iskandar Nahas, vice president for development, left Beirut on Tuesday and will make their recommendation next week.

If the contract is concluded, the 757s will be the first aircraft acquired by the company since Lebanon's civil war started 15 years ago.

The company, which is responsible for 90 per cent of the traffic at Beirut International Airport, badly needs more aircraft. An executive in Beirut said the 757s in question were the only used wide-bodied aircraft on the market this year.

MEA's ageing operational fleet consists of seven 707's and five 720's. The vintage 720's are being phased out. In 1977 MEA had to cancel an agreement to purchase eight A310 airbuses because of renewed fighting in Beirut.

In 1984-85, MEA received a substantial loan from American Express, using three Boeing 747 jumbos as collateral.

Because the cost of insuring the jumbo jets – valued at $135m – to fly to Beirut is prohibitive, the 747s are on permanent lease to airlines in Europe.

●Representatives of the Czechoslovakian aviation industry and GE Aircraft Engines of the US have signed an agreement for the US company to provide CT7-9B engines to power the L610 Let turbo-prop aircraft, writes Paul Abrahams in London.

In another agreement, GE Aircraft Engines has agreed to allow Let and two other Czech companies manufacture a selection of the US company's engines.

Tokyo 'Untouchables' go monopoly-busting

Robert Thomson reports on Japan's intrepid officials probing corporate lawbreakers

WHEN the intrepid investigators of the Fair Trade Commission (FTC) last week raided Gunze, Japan's leading maker of underwear, they were making a contribution to the "worldwide trend towards fairness," the chief of investigations, Mr Mitsuru Suzuki, argues.

Mr Suzuki and his "untouchables" at the commission are becoming media personalities in Japan after a spate of highly-publicised raids on well-known companies alleged to have violated anti-monopoly laws, and they are challenging the scepticism of US trade negotiators, who have argued that the laws are poorly policed.

In his office overlooking Japan's parliament building, Mr Suzuki admits US pressure has partly prompted the intensified drive against wrong-doers, but he says economic changes have made Japan more "unequal" and that "the demand for fairness has increased from ordinary Japanese. You saw the call for fairness at the last election. The demand for fairness meant more votes for the opposition parties."

In the quest for fairness, the FTC began 140 investigations in the first eight months of Japan's financial year, which ends in March, compared to 118 investigations in all of 1988, and 116 the year before. The number of companies warned is running at more than double last year's 65, and the once rare early morning raids on offices are becoming commonplace.

"For the Gunze case, we had 100 people doing the investigation," Mr Suzuki said. Gunze is alleged to have halted supplies to stores selling the company's underwear products at a discount, charges the company denies.

During US-Japan Structural Impediments Initiative (SII) talks, intended to remove "structural" trade barriers, US representatives have argued that Japan's anti-monopoly laws need toughening and the FTC must become more aggressive in ensuring that foreign companies have equal access to markets.

Mr Suzuki said that the FTC already has a reputation for toughness among Japanese. When exchanging name cards with other drinkers in a bar, they often say something like "FTC chief investigator, that's pretty serious," he explained.

The FTC is one of only two government bodies allowed a staff increase in this year's budget proposals (the other is a department monitoring land use, another sensitive political issue in Japan), and Mr Suzuki is hoping for 25 new investigators to join his team.

"It is difficult to get new staff, so the external pressure of the US is useful, but nothing would happen if there was also not internal social pressure for changes. ."

After the sustained criticism of Japan's policing of anti-monopoly laws, there was disbelief is Washington last October when FTC officers raided Apple Computer Japan, a subsidiary of Apple Computer of the US, after allegations that it and Canon Sales, its distributor, had attempted to impede legal imports of Apple computers by other companies.

Both companies denied the allegations, and investigations are apparently continuing.

He insisted the FTC was prepared to raid any Japanese company, including the great industrial combines such as Mitsubishi, Mitsui and Sumitomo, and he said investigators had never been pressured by the government to be selective about targets for political reasons.

Doubts have been raised in the US about the severity of fines imposed on cartel members, although Mr Suzuki said penalties are calculated as a set percentage of sales. If a cartel ignores an order to disband, manufacturers could be fined 2 per cent of sales value over the period of the cartel's existence, while retailers will be fined 1 per cent, and construction companies 1.5 per cent.

Last year, a group of 70 construction companies found to have rigged bids for work at a US military base near Tokyo were fined a total of Y289m (£1.2m), but the US government then sought and won compensation of around Y4.7bn from 100 companies, who had formed themselves into a "research institute" cum construction cartel.

Apart from fairness, Mr *Suzuki's favourite theme is* "democracy," and he suggests that the growing reputation of a watchdog organisation such as the FTC is a "barometer of the growth of democracy in Japan".

Exporters 'help keep prices high'

JAPAN is almost certain to present evidence to the next Structural Impediment Initiative (SII) talks that foreign companies, and not only the country's complex distribution system, contribute to the high cost of imported products in Japan, Robert Thomson reports from Tokyo.

Three ministries have released results of surveys comparing prices with those abroad.

The Agriculture Ministry, which opposes food imports, focused on processed foods, *the National Tax Administration* Agency, under the Finance Ministry, targeted scotch whisky and bourbon, and the Ministry of International Trade and Industry (Miti) surveyed consumer goods.

Not surprisingly, the Agriculture Ministry, which surveyed only six items, including Swiss-made strawberry jam and US tea, found that imported foods were more expensive in Japan, while the tax agency concluded average prices of whisky and bourbon were higher in Japan than Europe or the US, despite recent reductions in liquor taxes.

Miti conducted the most substantial of the surveys, and Mr Soichiro Seki, deputy director *of the ministry's price policy* division, insisted that the research was conducted fairly: "The specifications of the goods in each country were exactly the same, while some surveys use products with different specifications."

The survey found that 26 US products were 9 per cent cheaper in Paris than Tokyo and 38 European goods were 16 per cent cheaper in New York than Tokyo.

Mr Seki said the discrepancies "could not just be explained by the distribution system and land prices", and "we had no choice but to focus on sole agents", who often, for prestige reasons, keep prices high.

US and Japanese officials are due to meet for another *round of SII talks late* next month, and Japan is expected to table the Miti survey as part of its defence against US criticisms of "structural trade barriers," which include the distribution system.

Iranian merchants warm to brisk border trade

By Jim Bodgener in Gurbulak, on the Turkey-Iran border

SNOW FLURRIES gusted through the alleys between the crude cement block sheds, forcing little knots of thickly bundled merchants to huddle closer together. In the newly opened border trade compound straddling the Turkey-Iran frontier at Gurbulak, business was brisk nevertheless.

On the Iranian side containers converted into market stalls displayed an esoteric range of bric-a-brac, chinaware and gaudy Capodimonte porcelain, imitations mostly, but going incredibly cheap. No common currency rate operated in the 5,000 square metre compound, opened on December 25, and business was purely by barter.

The official Iranian philosophy was explained by a young Revolutionary Guard major, in another container housing a rudimentary office, backed up against the half completed mud brick entrance gate and watch tower.

"We are trading in Muslim brotherhood," he said, smiling. "We are Islamic – Turks are Islamic."

A less idealistic motivation predominated amongst the Iranian traders, scarce foreign exchange. Among items offered for barter were cheese and butter, of which there is an Iranian surplus due to a skewed agricultural policy.

Senior Turkish customs officials at the nearby highway border gate said relations with the other side were much easier under President Rafsanjani than under Ayatollah Khomeini. Nevertheless traffic through the post has yet to rise much above around 400-500 lorries a day, despite a trade protocol last February envisaging an increase in total annual bilateral volume to $2bn.

The annual trade target for the compound is much more modest, $250,000. But Turkish merchants said the eager Iranian response indicated a more liberal attitude towards private sector commerce by Teheran than hitherto.

A total of 60 small units had been hastily thrown up, 40 of which were Turkish. Turkish traders were bartering light industrial products including glass, paints, pencils, pharmaceuticals and clothes.

At Gurbulak Iran-bound lorries mainly carried construction materials for rebuilding after the Gulf war; many coming the other way were empty, but others were loaded with pistachios, hazelnuts and hides, and included a few oil-streaked tankers.

Traffic through Gurbulak earlier in the 1980s had been three or four times larger, until curbed by Iran's financial exhaustion towards the end of the Gulf war, and disagreement with Turkey over oil prices.

The bleak border post with ugly grey buildings nestled between two hillocks in the snow-mantled plain sweeping away into Iran from the eastern lee of Mount Ararat. On one, sentry boxes and flagposts faced each other at arm's length through the wire.

But Iranian and Turkish merchants mingled freely in the compound, watched over by soldiers of both countries. "This is an opportunity we can't afford to miss," said one haggling Iranian merchant from nearby Maka.

FERRANTI DEAL AFTERMATH

Germans cautious about four-nation Eurofighter project

By David Goodhart in Bonn

IT IS UNLIKELY that the average British voter had even heard of the Eurofighter aircraft (EFA) until Monday night's television news bulletins declared prematurely, but probably accurately, that Ferranti had won the battle to provide radar equipment for it.

The deal announced yesterday under which Ferranti agreed to sell its radar division to GEC appears to have been engineered to secure the £2bn radar contract for the Eurofighter. However, opposition to the project in West Germany casts some doubt on the project, or at least on German participation.

The £22bn four-nation project to build what is arguably the world's most sophisticated fighter aircraft has been a prominent political punchbag in West Germany since its inception in 1987.

To the West German public, taught to believe that the only possible threat to its security comes from the Soviet Union, the plan to build such an expensive weapon, at a time when that threat appears to have vanished, seems scarcely credible.

The West German opposition Social Democrats and the Free Democrats, the junior coalition party, oppose the project. It has always had enemies too in the West German Defence Ministry planning staff, who have seen it as an instrument of industrial policy.

The ruling Christian Democrats and Mr Gerhard Stoltenberg, the Defence Minister, continue to support EFA, although, with their eyes on the general election next December, they have refused to defend it in public. Even if the Christian Democrats are returned, public disaffection with the Eurofighter may be so entrenched by then that it will be politically impossible to proceed with it.

It thus seems probable, if by no means certain, that Germany (with a 33 per cent share in the project) will not join Britain (also with a 33 per cent stake), Italy (21 per cent) and Spain (13 per cent), in signing the most crucial and expensive production investment stage, due to be finalised at the end of next year. (The present development stage, formally accepted in November 1988, covers only about £5bn of total costs.)

If the advanced Soviet MiG 29s or SU 27s, which the EFA is designed to challenge, are included in the second round of conventional arms reductions next year, that probability will become a certainty.

So despite the probable radar breakthrough, is the EFA project doomed? Not necessarily. It still has influential supporters in the West German defence industry, most notably at Daimler-Benz, which fears that a pull-out would leave it badly adrift in new technologies, with 10,000 workers under-employed and its reputation for reliability in collaborative projects damaged just when it plans to internationalise itself.

It is also possible that the aircraft could be scaled down to take account of new political realities, perhaps even with a less aggressive custom-built version for Germany. Even a German withdrawal does not rule out Britain, Italy and Spain continuing alone or finding a new partner.

What is now hardly disputed, however, is that the original four-nation plan to produce 800 EFAs (250 each for Britain and Germany) to start going into service in 1997 replacing Phantom F-4s in Germany and Phantoms and Jaguars in Britain, will at least require adaptation.

"There is flexibility, we could build a cheaper version if the threat analysis changed," says Mr Gerrie Willox, managing director of the Munich-based EFA consortium building the plane. (It consists of MBB/Daimler 33 per cent; British Aerospace 33 per cent; Aeritalia 21 per cent; and CASA 13 per cent). A separate consortium with Rolls-Royce, MTU, Fiat and Sener is building the fighter's engine.

EFA consortium, which has realised that it will have to defend itself if German politicians fail to do so, argues that as a "defensive" fighter EFA is "Gorby-compatible." It cannot take land and it cannot deliver a bomb to Moscow, although it could protect heavier aircraft making such strikes.

Calculations by opponents that the cost of the one-third German share alone could top DM100bn (£35.7bn) are dismissed as "rubbish." The Bundestag has already voted DM5.85bn (£2bn) for the development stage. To build 250 aircraft should then require a further DM16.5bn in 1991, with a subsequent DM24bn to service the aircraft over 25 years. EFA stresses that the production contracts are far more commercial than they were for the Tornado – the last big collaborative aircraft with the same partners minus Spain – requiring industry to shoulder a far higher proportion of the risk. There are, however, some cost-plus elements in the various fields where entirely new materials or technology are being used. There is too an "escalation rate" of 3.5 per cent per year built into the costing.

Some of the opponents' cynicism about EFA's cost discipline is based on allegedly enormous overruns during the Tornado project. Tornado, conceived in 1968 with the first aircraft completed in 1978, was itself torn by disputes but is now considered a model of collaboration.

After the sometimes bumpy experience of building the Tornado together, it was assumed that the EFA would be easier. Yet even though many company and government personnel are the same, the EFA has proved far more difficult, as the two-year row about radar illustrates. "There seemed to be a greater political will to succeed first time," says Mr Willox, a former British Aerospace executive.

Officials see several reasons for the difficulties. First, Spain has had to be integrated into the collaboration. Second, reforms in the Soviet Union have increased resistance to all new weapons, especially in West Germany where big projects are scrutinised by the all-party Bundestag budget committee and not simply decided at cabinet level, as they are in Britain. Third, relations between Britain and West Germany have become more difficult.

When the Tornado was being conceived, West Germany had been in Nato barely 10 years and had a tiny defence industry. Consequently, the British dominated the project both at government and company level. By the end of the 1980's, West Germany's political self-confidence and its defence industry have grown "and we were not prepared to be pushed around any longer," as one German official said.

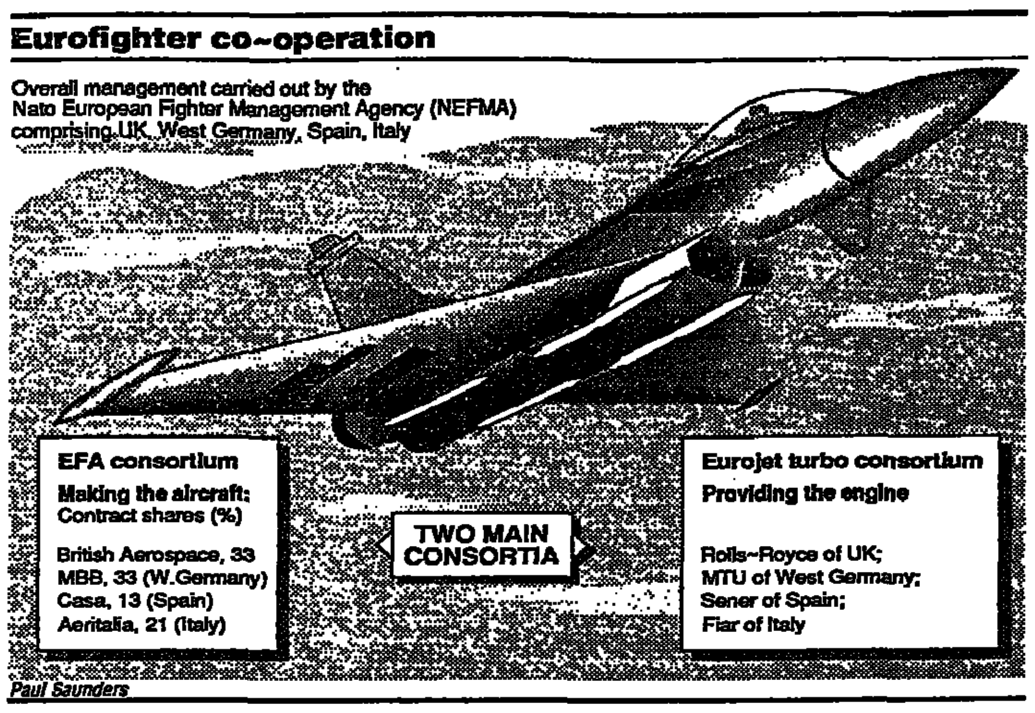
The British claim that they have been the driving force, providing the managing directors for both production consortia, and that British Aerospace was "the company which has pushed the project hardest," in the words of one UK official. The Germans still say that although the share-out of work seems to be fairly divided – including that on the disputed radar – they have in fact been excluded from some of the technically more interesting parts of it.

The shifting power relationship has been complicated by genuine differences in military requirements – a problem which has dogged the radar debate – and by different attitudes towards military exports. For example, the British have wanted radar capable of operating effectively in a much wider theatre than that required by the Germans and also did not want, for export control reasons, an American share.

All this has made it difficult to square the differing priorities of the four partners: performance for the UK; budget for Germany; work-share for Spain; and time-scale for Italy.

One bright spot: the fact that EFA contracts are so detailed and commercial means that the arguments – for example over the radar – take place at an earlier stage in the project than was the case with Tornado. None the less, by creating some extra costs at least, the radar delay has hardly helped.

The development stage is secure even if the Germans now withdraw. Production, at least as originally envisaged, remains in doubt. The 80 per cent "commonality" required to make a collaborative project worthwhile will be difficult to square with the sort of aircraft that the German public would want.



Sale of division wins reprieve from financial burden

By Hugo Dixon

IN SELLING its Defence Systems business to the General Electric Company of the UK, Ferranti International has earned a reprieve from the financial problems which were threatening to engulf it following the discovery of an alleged £215m fraud last year.

However, in the process, Ferranti has had to sacrifice the heart of its business.

Soon after the deal was done, Sir Derek Alun-Jones, Ferranti's chairman and chief executive, put a brave face on the deal. He explained that the £310m cash injection would transform the group's financial situation, more than doubling its net worth and knocking three-quarters off its debt.

Sir Derek also held out the prospect that Ferranti would be able to build a new business, based around its Computer Systems division, the other main leg of the group.

Over the past year, the Computer Systems division has undergone substantial restructuring, with 1,300 jobs being cut as Ferranti pulled out of manufacturing civil computers and focused on systems and software.

Sir Derek argues that already a third of the Computer Systems division's business is in civil markets, and that the skills that are now devoted to military markets could be easily transferred to the civil arena.

However, others argue that now that the Defence Systems division has been sold, there is very little that is attractive left in Ferranti.

They also point out that Ferranti has made a complete about-turn in its strategy. In the immediate aftermath of the ill-fated acquisition of International Signal & Control, which is at the centre off the alleged fraud, Ferranti's ambition was to become a leading player in the international arms business.

The Computer Systems Division consists of three main businesses: sonar, naval command and control systems, and civil systems.

Although Ferranti has about half the UK sonar market, spending on sonars by the Ministry of Defence has peaked.

Meanwhile, Ferranti has recently lost its preeminent position in naval command and control systems to Dowty Sema, the Anglo-French joint venture. This was made clear last year when it lost the contract to fit the Type 23 frigate to Dowty Sema.

The civil computer systems side has not been without its problems either. The most important part of this business has been the development of an energy management system. In its last accounts, Ferranti had to make provisions of about £10m because of cost-overruns in developing Ranger.

"I'm not sure Ferranti has the culture for a systems house," one analyst, who refused to be named, said.

The remainder of Ferranti is rather varied.

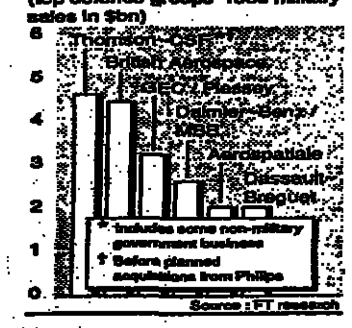
- Marquardt, a US bomb and chemical weapon manufacturer which Ferranti acquired as part of its takeover of ISC, has already been put up for sale. Ferranti is hoping to receive about $100m (£60.6m).
- ISC Defence Systems, another part of the ISC inheritance, which makes printed circuit boards for the defence industry.
- Ferranti Industrial Electronics makes petrol pumps, industrial lasers, microwave repeaters and software for computer-aided engineering systems. It has never made much money.
- Ferranti Business Communications, a UK distributor of telecommunications switchboards, has turnover of about £25m.
- Ferranti Instrumentation includes: Mitchell Hydraulics, which makes seals for submarines; and Weapons Equipment, which manufactures bomblets to go inside cluster bombs.
- Zonephone, which has a franchise to run one of the UK's four telepoint phone systems. The attraction of this business has been undermined by the Government's decision late last year to license three more powerful mobile communications networks, which many believe could undercut the viability of telepoint.

So, although the sale of the Defence Systems business to GEC has taken the pressure off Ferranti, considerable uncertainty surrounds the remainder of its businesses.

Some analysts argue that Ferranti has no long-term viability in its current position and that more disposals, leading to the eventual break-up of the group, are likely.

The top defence companies

How the Europeans compare (top defence groups' 1988 military sales in $bn)



Ministry denies U-turn in policy

By Charles Leadbeater and Michael Skapinker

SENIOR Ministry of Defence officials were adamant yesterday that the Ferranti deal, although it creates a UK monopoly in airborne military radar design and manufacture, did not represent an about-turn in defence procurement competition policy.

The MoD argues that although Ferranti and GEC-Marconi were competitors, concentration in the UK industry was inevitable. Whichever company did not win the radar contract for the EFA programme might have gone out of business.

GEC-Marconi is developing the Foxhunter radar for the air defence version of the Tornado, while Ferranti is developing the Blue Vixen for Sea Harriers, the prototype for the proposed EFA radar.

By the mid 1990s, once the Sea Harrier and Tornado programmes come to an end, both companies would have to look for more work. It would have been impossible for them to break into French and US programmes. The next Harrier radar will probably not be developed until the end of the decade. The only work available was on the European Fighter Aircraft radar system. The loser would probably have gone out of business leaving the successful bidder to become a *de facto* monopoly.

The MoD claims it had no desire to create a national champion to compete with French and US groups. But it knew that Ferranti would win the EFA radar contract only with more financial backing.

The costs of developing radars and the dearth of programmes means there is overcapacity in the international industry. Defence procurement is likely to become more international with the MoD looking to European and US suppliers. The MoD argues that international competition has not been significantly reduced by the deal.

That seems at odds with the MoD's decision last year to oppose GEC's bid to take over Plessey's radar business. The difference is that Plessey was involved in ground radar systems, where there may be more work available, and thus a need for more competitors.

The MoD argues that competition in military avionics, the other main area affected by the deal, will not be affected. Ferranti had only a relatively small presence in the market. The merged group will still face UK competition from the likes of Dowty and Smiths Industries, which the MoD appears confident will remain independent.

Officials would have objected if GEC had bid for the whole of Ferranti. In some areas, such as underwater sonar systems, this would have given the merged group an overwhelming position. That was one reason why the MoD last year objected to GEC taking over Plessey's sonar business.

None the less, GEC's purchase of Ferranti's radar division is in keeping with a common recent pattern in the European defence industry. Although some had predicted that cross-border mergers and acquisitions would accelerate, most of the consolidation in the industry has involved defence groups buying companies in their own countries.

Examples of this trend are Daimler-Benz's takeover of Messerschmitt-Bölkow-Blohm in West Germany last year and Thomson and Aerospatiale's pooling of their avionics activities to form a joint French company, Sextant Avionique. There was also GEC's takeover of Plessey last year, in collaboration with Siemens.

Siemens' involvement in the takeover of Plessey is an example of a cross-border acquisition. Others include a plan by British Aerospace and Thomson to merge their guided weapons businesses. Thomson has also bought a large part of the defence interests of the Dutch Philips group. In the latter case, however, many of the activities Thomson bought were in France.

The defence industry thinks the forces which have led to this consolidation will continue. Apart from the reduction in the perceived threat to Nato from the Warsaw Pact countries, European governments are demanding better value for defence spending. The rising cost of developing defence technology means that companies will increasingly see the need to collaborate.

Following GEC's move on Ferranti, there are now only three European groups capable of developing their own airborne military radar.

The others, apart from GEC/Ferranti are Thomson and Electronique Serge Dassault of France. Groups such as Telefunken System Technik, a Daimler-Benz subsidiary and Ferranti's rival for the EFA, produce US systems under licence.

Ron Dunn: looking forward to supplying the Eurofighter radar system

Relief at defence systems HQ over choice of 'best option'

By James Buxton

THERE WAS no concealing the sense of relief at the GEC takeover among top executives at Ferranti Defence Systems' headquarters in Edinburgh yesterday.

"This is easily the best option," said Mr John Roulston, FDSL's chief engineer. "It's a fortunate happenstance that events have turned out this way."

He and others appear to be glad at the ending of what one termed the "dissipation of effort" caused by competition with other UK groups, among them GEC, when they think FDSL's real competition should be with continental groups such as Thomson of France.

FDSL has a staff of more than 6,000 in Edinburgh, making it easily the city's largest industrial employer. The securing of its future should have an effect throughout the east of Scotland.

However, Mr Kenny Barnes, union convener for FDSL's six Edinburgh plants, said yesterday he was keeping an open mind, awaiting assurances from senior GEC managers that GEC would continue to fund all projects under way, and that jobs would not be eliminated in rationalisation.

Mr Ron Dunn, FDSL's managing director, said that no jobs would be lost as an immediate result of the takeover, but pointed out that these are very difficult times for the European defence industry.

FDSL has shed more than 400 jobs in recent weeks through natural wastage and early retirement in an effort to reduce costs.

This week the company told unions it wanted a further 100 staff to go in the next few months.

While the airborne radar sectors of the two companies are to be merged immediately, Mr Dunn said that the other divisions of FDSL, such as electro-optics and displays systems divisions, would, in the short term be unaffected by the acquisition of FDSL by GEC.

It is thought that there is scope for rationalisation in such areas as research and development, but company officials see the takeover increasing the strength of these sector and adding to their total turnover.

Ferranti and GEC have not yet considered what names the new organisations will have.

Company officials said that FDSL had a separate existence within Ferranti.

It recruited its own graduates and it was rare for staff to move from FDSL to other parts of the group. Other sectors of Ferranti drew little expertise from FDSL, nor did FDSL draw much from them.

Ferranti has grown in Edinburgh since 1943 when it opened a plant making gyroscopic gunsights for Spitfire, Hurricane and Lancaster aircraft.

Partly because of the secrecy surrounding defence work, FDSL is a relatively closed world: few people in Edinburgh have a clear idea of what it does. In addition, Ferranti ex-managers and technicians are not known for founding spin-off businesses.

UK NEWS

Doubts over mining investment

'Superpit' plans linked to new coal contracts

By Maurice Samuelson

NO NEW coal mines will be sunk in Britain without long-term contracts for selling most of their output - according to Mr Ken Moses, the director in charge of investment strategy for British Coal, the state owned corporation.

His comments cast doubt on the Corporation's £1bn investment plans, including the outlook for the £500m new "superpit" at Hawkhurst Moor, Warwickshire, central England, for which planning consent has been requested and the long-discussed £90m coking coal mine at Margam, South Wales.

Mr Moses said that following the privatisation of electricity and its own forthcoming financial reconstruction British Coal would be "entering a whole new era for investment".

Even if Hawkhurst Moor gained planning permission "no-one would invest in it without a contract" from the electricity industry, its biggest customer, he said.

Local planning consent is already available for the Margam drift mine to supply British Steel's coking ovens in South Wales. British Steel has asked for trial samples of the Margam coal but the mine would not be developed until a sales contract was signed.

Future investment at British Coal's other Midlands superpit, the £400m mine at Asfordby, Leicestershire, has already been affected by the new pressures on the Corporation.

Some £150m has been spent there on surface buildings, shafts and underground workings. But further underground work, by miners displaced from other Leicestershire mines, would proceed far more cautiously than originally intended.

Mr Moses's insistence on sales contracts before starting new mines is not shared by all his fellow directors. Mr Malcolm Edwards, British Coal's Commercial Director, last night agreed on the need for a contract from British Steel over Margam, but suggested that a unilateral decision to develop Hawkhurst Moor would be justified to replace coal from declining collieries.

The short-term prospects of British Coal are expected to be clarified in a "blue print" promised last month by Sir Robert Haslam, the chairman.

It will analyse the impact on individual pits of the initial power station contracts and the Corporation's financial reconstruction.

Both Sir Robert and Mr John Wakeham, Energy Secretary, told mining engineers in London last night that the financial reconstruction, in which £5bn - £7bn of British Coal's liabilities would be written off, would have a "liberating effect". But Mr Wakeham warned engineers that they faced "the greatest challenge since nationalisation 40 odd years ago."

Construction hit by housebuilding slump

By Andrew Taylor, Construction Correspondent

THE SHARP fall in UK housebuilding, caused by high interest rates, has begun to spread to other areas of the construction industry judging by the latest orders reported by contractors to the Environment Department.

The figures appear to confirm what developers have been saying for several months which is that existing contracts, some of them very large, are continuing but few new private projects are being started.

According to the department, private commercial orders – two thirds of which are for offices and shops – fell by 14 per cent during the three months to the end of November compared with the corresponding period in 1988.

Development of offices and shops has been one of the mainstays of the large rise in construction output in the UK during 1988 and 1989. Private industrial orders, also a large contributor to construction output recently, fell by 5 per cent compared with the corresponding three months in 1988.

Private housebuilding orders, which have been far the worst affected by the rise in interest rate, were 36 per cent lower on the same basis.

Separate figures, published yesterday by the department, showing brick sales reveal the damage being inflicted on some building material manufacturers by the collapse in house sales.

Stocks of unsold bricks, according to manufacturers, more than trebled from 281m in 1988 to 962m last year. Sales fell by more than 15 per cent from 4.7bn to just under 4bn bricks last year.

London Brick, the country's largest brick maker, last week announced it was making a further 482 workers redundant and closing a small brick plant in Cambridgeshire because of the collapse in demand from housebuilders. Other brick producers, concrete roof tile manufacturers and joinery companies have announced redundancies in recent months because of the fall in house sales.

The department said yesterday that total orders received by contractors in Great Britain fell by 4 per cent compared with the corresponding three months in 1988. Total orders however were 5 per cent higher than during June, July and August this year.

The three monthly comparisons were made after recalculating contract awards at constant 1985 prices and by making seasonal adjustments to allow for weather and holiday periods which might have distorted trends.

The value of all orders in November in current prices was £1.99bn compared with £2.29bn in October.

British Gas to offer service quality targets

By David Thomas, Resources Editor

BRITISH GAS, the national gas supply company, is planning to give its 17m household customers quality of service targets, which may be backed by financial compensation for inadequate service, Mr Robert Evans, the company's chairman, said yesterday.

Mr Evans was speaking on the publication of a survey of 1.25m customers who responded to a postal questionnaire on quality of service, which the company claimed to be the biggest customer survey ever undertaken by a service industry.

On a scale from one to 10, least satisfaction was shown with disruption caused by laying gas pipes (6.6) and with the way telephone enquiries are handled and appliances sold (7.1 each). Many customers were also irritated by arrangements for meter reading and estimating gas bills.

Greatest satisfaction was recorded with the company's record in maintaining gas supply (9.4) and attending gas leaks (9.2).

"The survey has told us that our service to our customers is good but could be better," Mr Evans commented.

He promised to publish within three months quality of service targets which the company said would be precise and quantified. Mr Evans said the company was looking hard at the idea of paying compensation to customers when service targets were not met.

The Office of Gas Supply, the industry's watchdog, is also studying quality of service in regulated parts of British Gas's business, which includes supply of gas and metering, but excludes fittings and repairs.

British Gas's announcement is likely to be interpreted as an attempt to head off independent action by Ofgas.

Mr Evans added that British Gas was testing out new technology, such as remote meter reading equipment, and decentralising management responsibility for service in a bid to improve service quality.

Japanese learn the mother tongue in a foreign land

Tim Burt examines the problems of children attending a special school to learn their own language

ON SATURDAY more than a hundred children will crowd into a classroom in Washington, Tyne and Wear, for their weekly lesson in Japanese.

The curriculum at Oxclose School is narrowly defined: to remind the sons and daughters of Japanese workers posted to north-east England that they are not European and to teach them their mother tongue.

The lessons are seen as vital for children who return to Japan with their parents from one of the 24 Japanese companies in the north-east after spending around five years in the region.

Mr Torio Komiya, headmaster of the Japanese Saturday School, recognises that without good Japanese his pupils have little chance in the hard-fought competition for university places and jobs in Japan.

Mr Komiya is a businessman, not a teacher. As managing director of Komatsu UK, the manufacturer of earth moving equipment which has invested £21m in its operations since it opened its Birtley factory in July 1987, he knows the standards demanded by leading Japanese companies from the people they recruit from schools and colleges.

"It is crucial for our children to continue with Japanese to avoid a point-of-no-return in getting back into the Japanese education system," he says.

The Saturday school in Washington was set up in 1985 on the initiative of Nissan, the car manufacturer which opted on north-east England as the site of its £50m European car plant, in conjunction with the Washington Development Corporation and Sunderland Borough Council.

Lessons are taught by the wives of company executives and there are now eight similar schools around Britain trying to minimise what the Tokyo Government calls the "problem of returnee school children".

Ms Marie Conte-Helm, head of the Japanese Studies Division at Sunderland Polytechnic and former cultural officer at the Japanese embassy in London, says workers are concerned that their children will cease to be Japanese.

"If they are here for five years that means some crucial years of education are lost and it severely restricts their chances later on," she says.

Some Tokyo schools now offer remedial Japanese classes for returnee school children, but outside the capital some children are understood to have been rejected and bullied by classmates, and teachers are thought to resent the extra workload involved in bringing their Japanese up to standard.

Play-Learning: pupils get to grips with school materials

At the Japanese Studies Centre in north-east England, which provides liaison services between the Japanese community and industry and business, Ms Conte-Helm says the Japanese Government is addressing the problem of returnee children.

She believes: "With official policy very much in support of internationalisation, changes in the framework of (domestic) education must follow."

But for those children who have already returned to Japan, fluency in English has not proved an asset to outweigh years lost in the Japanese education system.

Mr Komiya, however, is careful not to criticise schools providing accelerated English-teaching programmes for Japanese children. "Japanese children identify with British children very quickly and get the kind of close support from teachers which does not exist in Japan."

His view is echoed by Mr San Takasaki, a senior purchasing adviser at Nissan UK, who says the English-language teaching has been the most important benefit for his teenage children.

"My 15-year-old daughter has many more British friends than friends from the Japanese community, and all my children have absorbed the north-east culture," he says.

The Japanese have only come to understand the individual north-east culture by overcoming basic differences in society. The Japanese Studies Division found that Japanese workers were vulnerable to robbery in north-east England because in Japan they rarely thought to lock their cars and houses.

"They need to be very careful. They are simply less security conscious," she says. Northumbria Police now shows new members of the Japanese community videos on crime prevention and personal security.

The studies division is preparing a Japanese guide to living in the north-east, which explains how to benefit from services such as rubbish collection or payment by cheque. "We have a mock-up of a cheque to tell them what they're all about. It's so cash orientated in Japan, some have never seen one," Ms Conte-Helm adds.

Problems are exaggerated for some workers because the north-east is their first overseas posting. "The community is made up of engineers who in some cases have never been outside Japan before now," says Ms Conte-Helm.

The Japanese have, however, exported some of their own culture to the region. Komatsu workers exercise before each shift to music specially composed by the assistant musical director of *Starlight Express*; the British-style management structure has been replaced by consultation between workers and directors dressed in common blue uniforms; and a Japanese food importer has set up shop in Newcastle with delicacies such as Hanakatsuo – dried shaved fish.

The longer they work overseas the more difficult it is for them to return to Japan, according to Ms Conte-Helm. Many of the senior executives at foreign subsidiaries of Nissan and Komatsu will be based abroad permanently. Thus their children avoid the returnee difficulties by staying overseas.

The Takasaki family was based in Tennessee before moving to Tyne and Wear and Mr Takasaki admits: "I'm pretty apathetic about what's happening back home". Mr Komiya has spent almost 20 years abroad for Komatsu in Indonesia, West Germany and now Britain.

The headmaster of the Japanese Saturday School recalls: "When I first came here, I felt there would be an unbridgeable divide – we believed the British were always on strike – but I've changed my opinion.

"Now I would like to stay here for ever."

Euro-MPs and Thatcher fail to find total unity

By Philip Stephens, Political Editor

MRS Margaret Thatcher and Conservative members of the European Parliament yesterday failed to resolve fundamental differences over their approach towards European monetary union despite a determined display of public unity.

After talks in Downing Street lasting 90 minutes, both sides insisted that the semi-public sniping between the Government and the MEPs which followed last year's defeat in the European elections had been put behind them.

There was open acknowledgment, however, that on the issues of full membership of the European Monetary System and the possible creation of a single European central bank, the MEPs wanted a much more positive commitment from the Government.

Speaking after the meeting, Mr Christopher Prout, the leader of the 32-strong group of MEPs said that they had pressed their case that Mrs Thatcher should take sterling into the EMS exchange rate mechanism by the end of the year.

Reporting on the Prime Minister's response, Mr Douglas Hurd, the Foreign Secretary, said that Mrs Thatcher's reply had been to restate the conditions for membership which she laid down at last year's Madrid summit. Those conditions leave the timing of entry completely open, although they are expected to prompt a high-level review of the issue later in the year.

Mr Prout, who insisted that the talks had been both constructive and friendly, also voiced his group's scepticism about Mrs Thatcher's alternative to the proposals for economic and monetary union laid down in the Delors report.

Senior members of the group are now to have talks with the Treasury on the Government's proposals for a system of "competing currencies" to replace the single central bank and currency suggested in the Delors plan.

In what was clearly an orchestrated attempt by both sides to play down such differences, however, he insisted that: "The extent of common ground (on European Community issues) far oustrips those areas where we see things differently".

Speaking after the talks one MEP said that there had been a definite move to improve the atmosphere but no real changes in the substance of policy. "She was firm but conciliatory....there were no explosions this time", he said.

Mr Hurd also emphasised that the Government was determined to bring the MEPs into the Whitehall consultation process which would precede the establishment of a firm British position for the Inter-Governmental Conference on economic union due to start at the end of the year.

As well as their talks with Treasury ministers, the MEPs are to have regular contact with the Foreign Office and with other departmental ministers.

Their aspirations for greater powers for the European Parliament were not discussed yesterday, but Mr Hurd indicated that the Government's position remained that recent additions to their authority were sufficient.

Cow disease linked to banned rations

By Bridget Bloom, Agriculture Correspondent

THE "cow madness" disease affecting British cattle which led to a West German ban on imports of UK beef has yet to reach its peak but all the indications are that it is under control, Mr John Gummer, Minister of Agriculture, said yesterday.

He said he believed the disease, bovine spongiform encephalopathy, had been confined to animals fed rations containing sheep remains, a practice banned 18 months ago.

Mr Gummer, who on Tuesday attended a bruising session on the disease at the European Community's Farm Council, said he accepted as "almost inevitable" the EC's decision to ban, probably from March 1, the export from the UK of live cattle aged over six months

The ban effectively extended Britain's own controls over the disease to other member states, he said.

Britain announced in November that nervous tissue which could carry the disease must be removed from all cattle for human consumption. Instead of other member states doing this, the EC had preferred to ban the export of the cattle.

Mr Gummer acknowledged, however, that the ban would prove damaging to UK exports of breeding cattle, worth £5.6m to the EC last year.

On the separate issue of the West German restrictions on some beef imports from Britain, Mr Gummer insisted that he would keep up the pressure on Bonn to see these lifted, including if necessary recourse to the European Court.

However, he noted that Bonn had already eased some restrictions and that officials were letting it be known that they were not rigorously enforcing the ban.

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IN BRIEF

Shipbuilders negotiate sale of north east yard

BRITISH Shipbuilders is negotiating the sale of one of its three Sunderland shipyards, in north east England, which were closed in 1989 with the loss of more than 2000 jobs after three Danish companies, withdrew order for 36 ferries.

The group said last night it was negotiating the sale of Pallion Shipyard in Sunderland to MM Oil (GB) a privately owned offshore fabricator to the oil industry.

British Shipbuilders said talks had been taking place for about six weeks.

Slowdown indicated

THE SLOWDOWN in the UK economy has quickened, according to the cyclical indicators which chart movements in the economy.

Figures published yesterday by the Central Statistical Office showed that the longer leading indicator, designed to highlight turning points in economic activity about one year in advance, fell 0.2 per cent in November.

Irish bank interest

THE BANK of Ireland signalled the start of new competition for business in Northern Ireland when it became the first of the province's clearing banks to offer interest bearing current accounts.

Inflation forecast

INFLATION will have fallen to 5.3 per cent by the end of the year, according to the latest average of independent forecasts published by the Treasury.

The Treasury took a more pessimistic view last November when it said that inflation in the fourth quarter would be higher, at 5.75 per cent.

BAe union deal

FURTHER signs of a possible breakthrough in the 13-week engineering strikes at British Aerospace (BAe) plants emerged last night with an agreement between the company and trade unions at BAe's Chester plant to hold talks to try to resolve the dispute.

EC 'ignorance'

IRELAND'S young people were "appallingly ignorant" about the European Community according to a report published in Dublin yesterday.

A survey, undertaken last summer, at the height of the European Parliament election campaign, showed that only 12 per cent of youngsters questioned could name the EC's 12 member states.

Helicopter crash

A HELICOPTER crashed into a block of old people's flats in Strathclyde, Scotland, during a violent snowstorm killing a senior police officer and injuring three other people.

Legal complaints

THE Government is to introduce a new procedure for handling complaints about administrative errors by court staff.

Securities and Investments Board breaks silence over controversy

Walker sets his sights on rumours

By Richard Waters

"THERE'S a very big balloon that needs to be exploded," Mr David Walker, chairman of the Securities and Investment Board, said yesterday.

The balloon in Mr Walker's sights: the belief (fuelled by fear) among various City of London self-regulatory bodies that the SIB is bent on a centralist policy, undermining practitioner-based regulation in the process.

Extra wind for this particular dirigible has been provided by speculation that the Department of Trade and Industry is preparing to divest itself of many of its regulatory functions in the financial area, also raising the spectre of a bigger and more powerful SIB.

Mr Walker attempted to take a pin to these empire-building stories yesterday in no uncertain terms. The SIB was not trying to undermine the self-regulatory organisations, he said, and was not seeking to take over powers from the DTI.

His assurances were welcomed by the SROs - although with some reservations. The seeds of doubt sown in recent months are likely to remain for some time. And the SROs' concern about the SIB's growing budget - also disclosed yesterday - indicates that the tension between these regulatory bodies will not be dispelled entirely by Mr Walker.

A large part of that tension resulted from an SIB paper at the end of last year on the future development of the regulatory system. Called "A Forward Look" and intended for circulation only among SROs, it was leaked to the press and formed the basis of tough public statements from two bodies - the Investment Management Regulatory Organisation and the Association of Futures Brokers and Dealers.

These abhorred what they felt was a blueprint for a system in which the SIB took over all policy functions, and where practitioners, while left to pay the bill for regulation, would have no say in it.

The SIB claims that this reaction is the result of paranoia, and has no foundation. According to Mr Walker: "I find it inconceivable the SROs in any structure you care to imagine not playing a very large role."

"A Forward Look", however, makes it clear that the regulatory structure set up under the Financial Services Act 1986 does not work smoothly in some respects - there is a nagging belief at the SIB, for instance, that the five SROs are too prone to acting like trade associations and do not take their regulatory duties seriously enough.

It is also clear that, with changes in the markets which are regulated, and developments from Brussels, the regulatory system will have to change over time. It is not at all clear that the current system will survive these stresses and strains. As Mr Walker admits: "The person who says the structure is right over a five year period is either a knave or a fool."

Nonetheless, his assurances yesterday were broadly welcomed. The Securities Association said: "We are delighted he has clarified his approach. We are very assured by what he has said today."

A nagging doubt, expressed by TSA and others, persisted about the SIB's growing budget, however. In the financial year beginning on 1 April, SIB's costs will rise by 17 per cent. The share of that attributable to the SRO's (as opposed to the recognised professional bodies, recognised investment exchanges and others who pick up part of the tab) will jump by 28 per cent, from £7.4m to £9.5m.

The SIB was making every effort yesterday to play down this escalation, claiming that its fees will not rise during 1990/91, but actually fall. In cash terms, this is true: SIB's fees will fall from £16m to £15.8m. But this does not take account of the fact that part of last year's money covered set-up costs from earlier years, while some of it represented a pre-payment of fees for future years.

The true year-on-year rise in costs, the SROs said, remains close to 30 per cent. The SIB's strenuous insistence that costs will actually fall by 5 per cent did nothing to smooth over the frayed relationships created by "A Forward Look".

Labour sets party inquiries in motion

By Michael Cassell, Political Correspondent

THE leadership of the opposition Labour Party yesterday set in motion inquiries into the activities of local party organisations intended to eradicate what it regards as a few remaining pockets of extremist infiltration.

A meeting of the party's national executive committee also endorsed a decision to investigate the detailed procedures which led to the recent deselection of Mr Frank Field, the MP for Birkenhead, in favour of Mr Paul Davies, a local transport union official.

Mr Neil Kinnock, the Labour leader, said afterwards that the entire party was determined to defend its constitution against anyone who attempted to abuse it. The leadership, he added, intended to see that Labour was "a democratic party in every respect."

With proposals to further democratise the party under active consideration, there is a determination within the leadership not to forfeit its success in expelling extremists by enabling opponents to claim Labour is still in their grip.

Labour of love: leader Neil Kinnock before yesterday's meeting

In spite of the threat of temporarily resurrecting old images of the party – Mr Dennis Skinner, the left-wing NEC member, yesterday alleged a "widespread McCarthy-type witch-hunt" – the leadership believes a further public demonstration of its continuing commitment to "clean up" the party will prove beneficial.

As expected, the NEC backed by 20 votes to three a recommendation to mount a full investigation into Mr Field's deselection, following the presentation of evidence by the MP intended to support his allegations of irregularities and Militant activities.

An interim report will be made next month, when a decision will be taken on whether or not to refer any individuals named in Mr Field's allegations to the national constitutional committee, the party's disciplinary body.

Apart from the selection procedures, the inquiry will also examine the wider activities of the Birkenhead party. In addition, the NEC agreed to launch separate inquiries into the Wallasey constituency Labour Party and Labour group.

Banks remain cool on East European loans

By Stephen Fidler, Euromarkets Correspondent

COMMERCIAL banks are unlikely to provide significant finance for the countries of eastern Europe unless the loans are supported by western government guarantees, the chairmen of two British clearing banks said yesterday.

Sir Jeremy Morse, chairman of Lloyds Bank, and Sir Kit McMahon, Midland Bank chairman, told the House of Commons Treasury and Civil Service Committee that bank lending to most countries in eastern Europe, some already saddled with heavy debt burdens, would be modest.

Sir Jeremy said great confusion in eastern Europe would discourage banks from lending, particularly to those countries which already have large debts. Banks' appetite for making cross-border loans had also been reduced by the Third World debt crisis and would remain poor for some time to come.

Sir Kit said: "Most lending will have to be government-guaranteed if it's going to occur. You won't find banks willingly lending to those countries in their own name."

Both bankers told the committee they considered the Brady initiative – the new international debt initiative launched by the US Treasury Secretary, Mr Nicholas Brady, last March – had set back the cause of debtor countries. Following the launch, "the process of debt rescheduling has been destabilised and debt service disruption increased."

The Midland chairman said the increase in bank provisions to cushion against losses on third world loans followed from the initiative, which had also in the first place failed to emphasise that new loans from some banks would continue to be necessary for debtor countries, even as other banks were writing down some of their exposure. He was also critical of the interference from the US Treasury in the recent negotiations between Mexico and the banks.

● BRITAIN has an opportunity to increase public spending in spite of its relatively highinflation rate and its large balance of payments deficit, according to a study for the Building Employers Federation.

The report, by Professor David Mayes of the National Institute of Economic and Social Research, said the rapid transformation of the public sector from deficit to surplus over the past 10 years and the sharp fall in the public sector's share of economic activity in the past five years have placed strains on the British economy that need to be tackled.

Football ID card scheme expected to be shelved

By Michael Cassell, Political Correspondent

THE Government is believed to have decided to shelve its controversial plan for a compulsory football club membership scheme, following strong indications that the proposal has been rejected in Lord Justice Taylor's report into the Hillsborough stadium disaster.

The decision, though not confirmed, was immediately described by Labour as a "humiliating climbdown" for Mrs Thatcher, who had personally backed the plan.

Tory supporters of the identity card proposal urged her to ignore the Taylor findings and press on with its implementation.

The issue is expected to be discussed at Cabinet this morning and Mrs Thatcher seems certain to be pressed on it during Question Time in the Commons this afternoon.

The Prime Minister will claim that she has listened carefully to the arguments and will emphasise that the Government expects the football authorities to ensure good behaviour among fans, with the clear implication that further serious crowd problems will would provoke government intervention.

The Taylor report is expected to be published on Monday, when Mr David Waddington, the Home Secretary, will make a statement to the Commons outlining the Government's reaction to its findings.

It is likely that Mr Waddington will repeat the Government's determination to banish hooliganism from football grounds and stress the many other elements of the inquiry recommendations dealing with crowd control and safety.

Government sources were last night emphasising that, while statutory reserve powers for an identity scheme exist under the Football Spectators' Bill, they will not be invoked without further deliberation by MPs.

Establishing the Football Management Authority intended to operate a membership scheme would require Commons approval and a vote would also be needed to endorse the final operating details.

Although his conclusions have not been disclosed, it is understood that Lord Justice Taylor has decided against the plan primarily for safety reasons.

His conclusions were considered on Tuesday at a Downing Street meeting between the Prime Minister and environment ministers.

It is understood that the meeting agreed the Government could not be seen to ignore the conclusions and recommendations contained in a report which it had commissioned.

To press ahead also raises the prospect of a deepening backbench rebellion, given existing unease among some Tory MPs about the benefits of an identity card scheme.

MANAGEMENT: Marketing and Advertising

All fine and dandy in European market

Lucy Kellaway explains how 320m people have been type-cast with 1992 in mind

Would you say you were (a) a Euro-Dandy; (b) a Euro-Romantic; (c) a Euro-Moralist; (d) a Euro-Pioneer; (e) a Euro-Vigilante?

You may well feel that the answer is (f) none of the above – but that is the one reply you are not allowed. Each of us 320m Europeans fits one of 16 different Euro-socio styles, and if you do not recognise yourself in the five mentioned, that probably means you belong to one of the more obscure categories like Euro-Olvidados or Euro-Squadra.

This is no idle 1992 horoscope. According to its developers, understanding who belongs to which category can help prevent "product flops, surprising election defeats, decline in association membership and downright alienation." The Euro-types are the idea of a long-haired Doctor of Psycho-Sociology at the Sorbonne in Paris, Bernard Cathelat. His notion, based on years of academic research, has been picked up by a Europanel of 15 European marketing groups, and by CCA International, a part of the big French group, Havas-Eurocom.

The Eurotypes are an answer to the sort of question which may well be central to marketing in 1992: how to translate success in selling silk boxer shorts in the home counties of England to an equal success in Lisbon or in Antwerp.

When the national barriers come down between the twelve European countries, old-fashioned ways of marketing goods will no longer apply. Companies that try to venture abroad on the assumption that people of the same class, age and wealth will have similar wants are bound to fail, says Cathelat. What is required is to find types that transcend all boundaries, and then to design marketing efforts in a way that is bound to catch them.

The socio types system is the result of some impressive research – 24,000 people throughout Europe were asked some 3,500 questions apiece about "My Life", including details on everything from "My Heros" to "My Boss" to "My World". From this great mass of raw data, the 16 types were drawn. Having established the categories, further work was done to discover which types predominate where.

This invaluable information has been packaged for sale by the marketing groups along with various "navigation instruments" to help the potential marketer find his or her way around the "socio-cultural geographical map" of Europe. These instruments appear to include clues as to what each type is meant to be.

Euro-vigilantes, says the sample pack, suffer from "severe economic frustration," and appear to be pretty miserable sorts of people: frumpish, conservative and suspicious. When it comes to shopping, however, they have some sensible ideas, liking shops that are near, with good, cheap prices and sensible layouts.

Euro-strict, on the other hand, have lots of money, are well-educated, believe in an eye for an eye, and like buying things in speciality shops. One of their common traits, according to the blurb is that "they view Europe 1992 as the Europe of a mutual culture, a united community in the struggle against communism."

Once you have bought your socio map it will help you understand the spirit of the times, what the potential of the international market is and what sorts of behaviour and what sorts of products belong together. According to GfK Belgium, one of its protagonists, it will give access to the "hit parade" of current values and symbols.

The system is constantly developing, says Cathelat. He expects to start doing detailed studies sector by sector, finding out, for example, about people's "food life styles." He is also hoping to round out the types culturally, which might mean that one could distinguish between a Scottish and a Greek Euro-Romantic.

So far, some 20 companies have paid up and plugged into the Euro-type data base. They are allegedly from a wide spread, and include a Japanese company that is considering setting up a subsidiary in Europe. Now it knows about Euro-Dandies and Euro-Pioneers, one wonders whether it might be having second thoughts . . .

More than just hot air

Philip Rawstorne on the promotional potential of balloons

The use of hot air balloons as a marketing medium is soaring. More and more unusual shapes are floating overhead – a tin of Andrews Liver Salts, a KP Choc Dip carton, a Cadbury's Creme Egg, three Virgin Atlantic jumbo jets . . . and a rolled-up Financial Times.

The Shropshire-based Airship & Balloon Company (ABC), of which Richard Branson, the owner of the Virgin empire, is chairman, has already won £500,000-worth of contracts to operate balloons in corporate marketing campaigns.

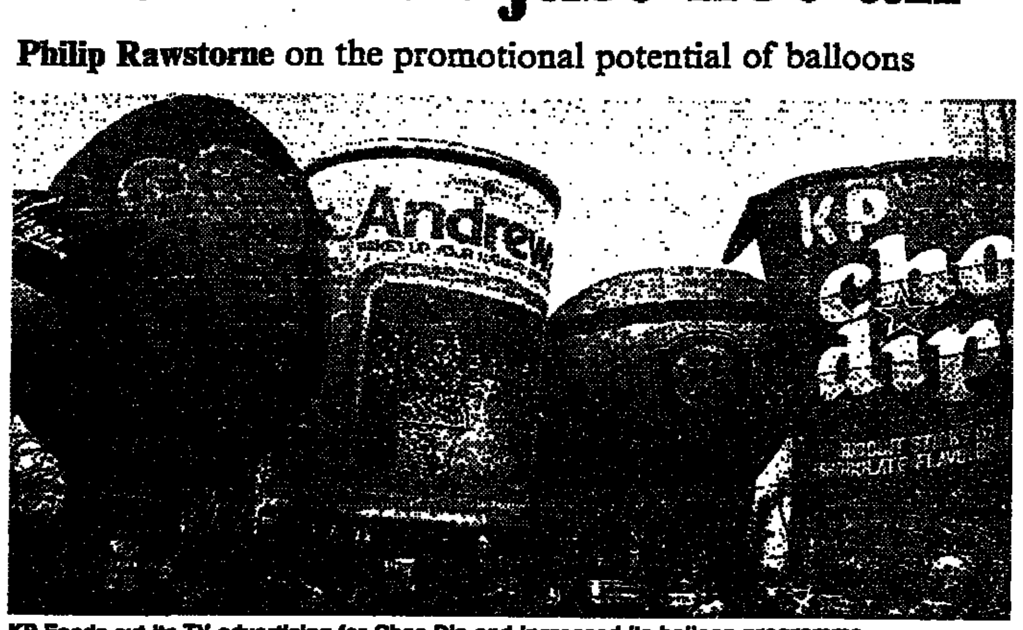
Further contracts worth a similar amount are under negotiation.

Using balloons for marketing is not a new idea. Nimble bread did so to good effect some 20 years ago. "But the business has advanced considerably since then," says Michael Kendrick, ABC's managing director.

Some of ABC's clients, Lloyds Bank and Mondial Assistance, for example, still use the conventional inverted tear-drop-shaped balloons to place their names and logos before the public.

But manufacturers such as Thunder and Colt, of Oswestry, and Cameron Balloons, of Bristol, are being commissioned to build more and more balloons in the, presumably eye-catching, shape of a company's products.

Prices start at around £6,000 for a small, one-man balloon and can rise up to £40,000 for a more complicated special shape. The cost of the marketing programme will depend on the number of flying days, varying from £30,000 to £100,000.



KP Foods cut its TV advertising for Choc Dip and increased its balloon programme

The FT's 100ft pink balloon, built in 1987, last year flew in various parts of the UK and Europe, the US and West Indies, and will be launched in Japan later this year. It has attracted a great deal of publicity for the newspaper.

As an operating company, ABC provides for its clients not only pilots, but experienced staff to deal with civil aviation regulations. "Balloons," says Kendrick, "are, after all, registered aircraft."

A marketing, public relations and advertising team helps to manage the client's balloon programme, ensuring that it is integrated effectively into the overall marketing strategy, and gains maximum exposure to the target audience and media.

Paul Stewart-Kregor, product group manager for Sterling Health, which recently commissioned a 100ft ballon in the shape of a tin of Andrews Liver Salts, says: "It is a very effective way of promoting a product or service. It costs much less than making a television commercial and arguably gives us more impact."

The Andrews balloon has been used to promote community relations at its Guildford base, the company's image at a Newbury balloon meeting, and the product at Gateshead's Metro shopping centre. "It creates considerable public awareness – and people remember it for a long time afterwards," he says.

One of ABC's clients estimated that by diverting 5 per cent of its television advertising spend into a balloon programme, it could expect a net audience gain of more than 2m. At the end of the year, it calculated the gain had been nearer 10m.

Bill Hill, senior product manager at KP Foods, which has been operating its Choc Dip balloon for three years, says the company decided last year to cut its television advertising and put more money into the balloon programme.

The 90ft balloon is being used this year in an educational programme explaining the principles of ballooning to some 45 schools throughout the UK.

"It is a relatively cheap way of targeting a group of consumers such as the 5-10 year-olds who form our market," says Hill.

Sponsors needed for a journey into space

Paul Abrahams reports on funding for the Anglo-Soviet Juno mission

When Dan Dare, the pilot of the future in the now sadly defunct British comic, the Eagle, rocketed into space to do battle with his arch-enemy the mighty Mekon, he did not need £16m worth of sponsorship to reach beyond the stratosphere.

But in the more commercial age of the 1990s, when the first non-fictional British astronaut is launched into space, he or she will be aboard an Anglo-Soviet mission funded completely through sponsorship.

The Juno Mission will be the first spaceflight to be privately funded. But that requirement for the mission to be self-financing posed a considerable challenge for Peter Graham, the mission director based at the Moscow Narodny Bank in London and the man responsible for raising the necessary money.

Graham decided to generate as much publicity about the mission as he could from the start.

He enlisted the services of Saatchi & Saatchi to put together a campaign to help find a modern-day Dan Dare. The press advertising, with the slogan "Astronaut wanted. No experience necessary," not only attracted 12,746 applications and created widespread media attention but also had the advantage of generating financial interest, explains Graham.

"I knew I could generate plenty of public interest because the asset I had to offer was a beautiful one: 'The first'," says Graham. "But I had to approach different companies in different ways, matching their needs and requirements with what I had to offer."

He decided to target the marketing of the sponsorship of the Juno mission at companies like British Aerospace which could see the relevance of their products to the mission.

One option available for companies is to have the rocket painted with their corporate colours and logo. The price of this would be quite high, he admits, but should have appeal to some.

Some companies have taken a more low-key approach. Zeon UK, for instance, the watch manufacturer, has become the official watch-supplier and timekeeper for Juno. The astronaut will wear a Zeon watch while the name of the company will be branded on both the Soyuz booster rocket and over the count-down clock at mission control in Kaliningrad in the USSR.

The company hopes to harness the Juno mission to launch Zeon as a major consumer brand by using television exposure, advertising and public relations activities.

Graham has also targeted companies which could relate to the £2.3m micro-gravitational scientific programme which will take place during the eight-day mission.

Memtek Products, which trades under the brand names of Memorex and Cambra and is a division of the Tandy Corporation of the US, has paid to become the official supplier of audio and video tape for the mission. Some of the experiments during the spaceflight will be recorded using Memorex tape.

Graham refuses to say how much he has raised so far, but says that his efforts mean that the project is on budget. But he is also using methods other than sponsorship to finance the mission.

Early on in the project, Graham sold the exclusive television rights to the mission for an undisclosed amount to STV, the Scottish television company. Graham says the two programmes which have been broadcast have been highly successful in generating further publicity.

He also hopes to raise money by launching an organisation called the Juno Club. This will provide information about the mission and the astronauts to those interested, particularly children. He is threatening to launch a Juno theme song.

"By April 1991, I hope the launch of the first Briton in space will create as much enthusiasm as when England won the World Cup in 1966," says Graham who was brought up in Canada and was four years old at the time.

Marketing abstracts

Marketing and communications catch the team spirit. *T Eisenhart in Business Marketing (US), July 89 (5 pages)*

Believes that, as functions, marketing and marketing communications do not have sufficient communication with each other. The failure to communicate seems to be as a result of a lack of teamwork and of the differences in responsibilities (communications people are good tacticians not strategists). Sees a move to integrate the two functions, highlighting efforts at Beckman Instruments (clinical instruments and chemical products) and Eastman-Kodak.

Are our ways of evaluating advertising too restrictive? *S Broadbent in Admap (UK), May 89 (4 pages)*

Finds the answer to be a definite yes; believes that the current evaluation methods (eg weight tests) ignore long-term benefits of advertising such as brand reputation. Advocates a greater examination of a campaign's effectiveness by conducting a brand audit.

High-tec, high-volume marketing. *N Kay & D Keeler in Direct Marketing (US), Jun 89 (3 pages)*

Distinguishes between different types of outbound telemarketing centre; the small shops (30 to 40 positions, semi-automated or manual), the mid-size (50 to 200 and still essentially semi-automated), the large (50 to 500, high-tech, automated, integrated). Under various headings: career paths, environmental differences, data handling, extends the distinctions by looking at how the factors affect TSRs (telephone service representatives).

All research is not equal. *B Guggenheim in Journal of Advertising Research (US), Feb/Mar 89 (5 pages)*

Notes that many factors can have an impact on the value of research data; focuses on just one – sample completion rate, or the proportion of the originally designated sample that was interviewed; examines evidence showing that non-respondents are likely to fall into particular categories, eg young or old, rich or poor, and thereby distort the data; considers the implications.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p; cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY.

ACCOUNTANCY APPOINTMENTS

TECHNOLOGY

Fred Westlake spent six years with Nasa in the 1960s training to be an astronaut. Unfortunately, the moon walks ended American interest in the Apollo programme and funding ran out before he made it into space.

Westlake now jokes modestly: "Monkeys could perform most of the tasks required just as well as the astronauts and they seemed to get a lot less scared than we did."

Such unusual experience of being a high-technology guinea pig could prove invaluable for Westlake, who is now chairman and chief executive of First Technology, the automotive, fire and security systems group. For his company, based in *Chertsey, Surrey*, has in the last two years cornered a niche in the motor industry – the manufacture of safety dummies for use in test crashes.

First Technology's two US subsidiaries – Humanetics of Los Angeles and Alderson Research Laboratories of Stamford, Connecticut – between them supply all the world's motor manufacturers with dummies. They are even featured in the current Volvo advertising campaign.

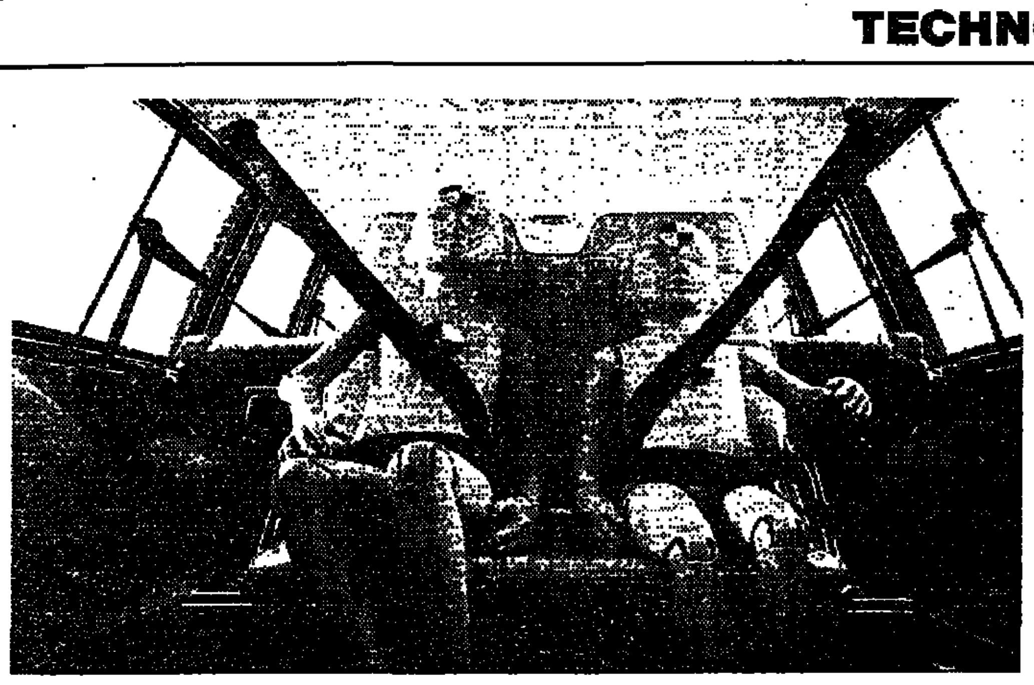
Any superficial resemblance these dummies, or "anthropomorphic test devices," bear to fashion store mannequins is misleading. Costing up to $40,000 (£24,000) each, they are carefully modelled, using steel, synthetics and rubber, to mimic the strengths and weaknesses of the human frame.

After 10 to 20 simulated crashes, every one of the dummy's 2,000 parts is likely to have been replaced, so the supply of spares represents a significant proportion of the business.

Up to four dummies, ranging in size from large adult male to small child, are put in the crash vehicle. The importance of considering children was demonstrated during the development of air bag safety systems, which inflate to prevent a driver's head from hitting the steering wheel. In an early test, the force wave caused by the bag's inflation was so great that a model of a three-year-old child was blown out through the rear window.

Crash testing was not always so technical. In the early days, sedated baboons and pigs were catapulted to an often gory end on crash sleds.

Remarkably, some humans volunteered to undergo simulated head-on crashes at up to 30 mph. One now retired professor of biomechanics at Wayne State University in



Two of First Technology's dummies all set for a crash test at Volvo

Dummies that speak volumes about life

From sedated baboons to $40,000 human replicas, **Andrew Bolger** charts the increasing sophistication of crash testing

Detroit did so 30 times. Even more remarkably, he escaped serious injury and Westlake reports that the academic still possesses all his faculties.

Nowadays, the hard scientific data comes not just from the dummies, but from the sensors with which they are loaded. The head of a dummy may carry as many as 24 accelerometers, costing up to $600 each. These measure the speed with which the head moves on impact and the force with which it strikes obstacles, such as the windscreen or steering wheel. Load cells, costing up to $500 each, record the pressure on knees and chest.

Signals from each sensor are lead through an "umbilical chord" from the back of the dummy to computers for instant analysis.

Each crash is filmed by up to 20 high-speed cameras, some of which can run at 3,000 frames per second. The manual analysis that such film frames require is very time-consuming, so First Technology uses a video system developed by a Boston company which enables it to transfer the relevant data to a computer in a fraction of the time.

At present, First Technology – which makes electronic sensors for vehicle suspension, fuel and locking systems – supplies only a small proportion of the sensors used in its dummies. However, it is working on sensors with built-in memories, which would avoid the need for a direct link between dummy and computer. Ultimately, it hopes to develop sensors which are sufficiently cheap to be thrown away after every crash, as the resetting and calibration of existing sensors is time-consuming and expensive.

Until recently, car safety regulations have concentrated on head-on impacts and dummies have been used to measure the effects of such crashes on the head, chest and legs. But vehicles seldom crash head on, if only because one driver will swerve before impact. Regulatory authorities have, therefore, become more interested in how vehicles cope with side impacts. A new generation of dummies and sensors will measure the effects on organs such as the liver and kidneys.

Dummies were first used to test aircraft ejection seats and the military connection remains important. Humanetics has recently won a contract from the Pentagon to develop dummies which will be used to measure the types of injury which occur in manned military vehicles and aircraft.

The dummy will be placed in a vehicle and subjected to live fire. Its chest is composed of layered fibre sheets, which show how deeply bullets and shrapnel enter this critical region. The skin, of life-like plastic, will record the passage of flying fragments and flash and burn injuries. Computer analysis will determine not only the effect on the occupants, but also answer questions such as would they still be able to fire back?

The Pentagon contract is initially worth only $180,000 a year and is subject to a set 10 per cent profit margin. But Westlake says this sort of work is crucial for the company's research and development effort: "It will give us the next generation of dummies, not just for military applications but for the automotive industry as well."

Another big potential market for crash testing is aircraft safety. Westlake says there are growing rumours that the Federal Aviation Administration will require more testing of cabin safety, involving the crashing of sections of the fuselage full of dummies.

At present, motor manufacturers buy dummies from First Technology and then test their own cars to ensure they meet the criteria laid down by national governments. Westlake says this is undesirable on consumer grounds and, in any case, the manufacturers would prefer not to be involved in such a specialised field.

To provide an independent service, his company plans to set up a "one-stop" test and certification centre in the US. The idea has been welcomed by the National Highway and Traffic Safety Administration and large customers, such as Ford and General Motors.

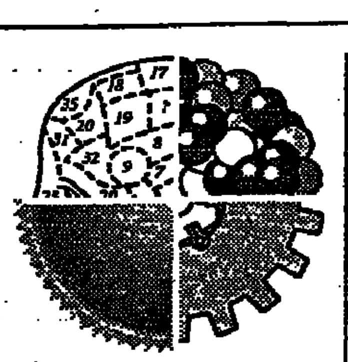
First Technology is fitting out a new crash and safety technology centre in Detroit, where it will bring together the activities of Humanetics, which it bought in 1988, and ARL, which it purchased last May.

However, the company's ultimate goal is one which would also harness its skills in vehicle design. It would like to offer manufacturers a complete service which would design the car, build the prototype, crash it and certificate the new vehicle – all on an independent consultancy basis.

Designing a new model from scratch costs millions and the marginal cost of each new prototype after the first can be as high as $500,000. Since up to 10 prototypes can be needed to achieve certification, this could be a very big business indeed – particularly since the rate at which new models are being introduced is on the increase.

First Technology's two US subsidiaries produce 200 dummies a year for motor manufacturers as far afield as the Soviet Union and Japan. The annual turnover is currently $20m and the company is confident that this can be boosted to $50m within three years, merely by increasing the number of its own sensors which are put in the dummies.

If, however, Westlake's dream of providing a complete design, crash and certification service for motor manufacturers gets off the ground, the sky could be the limit for the man who was almost Britain's first astronaut.



WORTH WATCHING

Edited by Della Bradshaw

Giving robots muscle

THE POPULAR image of the robot is a computer-controlled conglomeration of metal springs, tin cans and sundry widgets. But a Japanese university has created a material that gives robots muscle.

The chemistry department of the University of Ibaraki has developed a polymer gel which contracts – like a human muscle – when an electric current is passed through it, and expands again when the current is cut off.

The gel is produced by alternately freezing and thawing an aqueous solution of polyvinyl alcohol and polyacrylic acid.

This "chemo-mechanical" system converts chemical energy directly into mechanical work and so needs only a small amount of external energy to initiate the process. The gel can be activated by heat from the sun, sea water or exhaust gases.

As well as giving robots a gentler touch, the electro-shrinkable gel could be used in valves or switches, or even as a slow release system for drugs.

The Japanese researchers have demonstrated that when the gel is impregnated with a drug and subjected to an electric field, the drug is flashed out of the gel. The gel could, therefore, be used as a carrier for drugs which have to be delivered to a specific target.

Farming the sea for power

AS THE search for further "green" forms of energy gathers pace, the possibility of using the oceans' thermal energy has come under scrutiny.

The conversion of ocean thermal energy exploits the difference in temperature between the deep and shallow layers of the sea to create power. But the problem is that the infrastructure costs are high in comparison with the energy output.

The answer could be found in an experiment being conducted by the Natural Energy Laboratory of Hawaii (NELH), which has demonstrated that deep-sea water is rich in nitrates and phosphates, while it is free from harmful pathogens and so suitable for intensive fish farming – producing a second source of income.

The location chosen for the work is the Keahole coastal site of the NELH, which is *close to the national grid. The* warm seawater there has a summer temperature of 27 deg C, while the water from 700 m down is only 5 deg C.

The two constant streams of sea water are used to evaporate and recondense the ammonia fluid which circulates in a closed cycle in the turbines. Then the water flows into the fish farm.

Phone cards with the toothpaste

THERE are few things more annoying than finding a public phone box which only takes pre-paid cards and then having to hunt for a shop which sells them.

To streamline the process, Boots, the UK retailer, plans to sell pre-paid phone cards which are printed with bar-codes, and so can be automatically read by the electronic check-out system, *along with the aspirin and* the toothpaste. The bar-code would vary to indicate the amount of credit on the card – £2, £4 or £10.

The cards have been developed by GPT Payphones, of Liverpool, for use in the phones operated by Paytelco, a joint venture between GPT and Mercury Communications. Boots is installing pay phones from Paytelco.

A window on the workaday PC

THE distinction between the high performance colour screens of the latest personal computers and the older monochrome image of the computer terminal is blurring all the time.

Employees using terminals attached to the company's host computer can now have both a colour screen and "windows", which enable the user to work with up to four text applications on screen at the same time.

The windows on the MCG 3320 terminal, from Microvitec, of Bradford, can be opened, closed, enlarged or moved about on the screen, and they can be stacked in any order.

The terminal is designed for Unix software running on host computers from Digital Equipment.

Perfect comfort for treasures

INTERNATIONAL treasures stored in the world's largest *art gallery*, the Hermitage in Leningrad, are having their environment improved.

The 3m works of art could have a longer life thanks to an energy management system that controls the temperature and relative humidity of each room.

The Hermitage, which is installing a system from Swiss energy management specialist Landis & Gyr for the first phase of its refurbishment, has issued tight requirements for the air conditioning and ventilation system. The incoming air is filtered for both solid particles and acid impurities, which could harm the paintings.

The control of the system is done through colour graphics displays which allow the information to be presented in the Cyrillic alphabet.

Simple way to 'Krush' a can

IN THE interests of recycling, the English language has been corrupted with the launch of the "Kan-Krusher", writes Lynton McLain.

This modest little device, for use in the home, replaces the heel of a boot as a method of crushing aluminium cans. A lever operation applies half a ton of pressure to squash each cans to a one-inch-high metal disc.

The device, designed by G & C Home and Leisure Supplies, is made of zinc-plated steel, which is less easy to recycle than the aluminium cans it crushes.

CONTACTS: Ibaraki University: Japan, 0292 26 1621. NELH: US, 808 548 7017. Paytelco: UK, 951 228 7064. Microvitec: UK, 0274 390011. Landis & Gyr: Switzerland, 42 24 11 24. Kan-Krusher: UK, 0386 553934.

LEGAL NOTICES

INSURANCE COMPANIES ACT 1982
Transfer of General Business

Notice is hereby given that Athel Reinsurance Company Limited has applied to The Secretary of State for Trade and Industry on 22nd December, 1989 for his approval pursuant to Section 51 of The Insurance Companies Act 1982, to transfer to The Copenhagen Reinsurance Company (U.K.) Limited all of its rights and obligations under policies written by it in the United Kingdom on or prior to 20th December, 1989.

Copies of the statement setting out the particulars of the transfer are available for inspection at the offices of Messrs. Ince & Co. at Knollys House, 11 Byward Street, London, E.C.3. (ref: T. Bates/D. Coupe) on each weekday (other than bank holidays or public holidays) between the hours of 9.30 a.m. to 5.30 p.m. until 7th March, 1990.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade & Industry, Insurance Division, 10-18 Victoria Street, London, SW1H 0NN before 7th April, 1990.

The Secretary of State for Trade and Industry will not determine the application until after considering any representations made to him before that date.

INSURANCE COMPANIES ACT 1982
Transfer of General Business

Notice is hereby given that The Reinsurance Corporation of New York (U.K.) Limited has applied to The Secretary of State for Trade and Industry on 22nd December, 1989 for his approval pursuant to Section 51 of The Insurance Companies Act 1982, to transfer to The Copenhagen Reinsurance Company (U.K.) Limited all of its rights and obligations under policies written by it in the United Kingdom on or prior to 20th December, 1989.

Copies of the statement setting out the particulars of the transfer are available for inspection at the offices of Messrs. Ince & Co. at Knollys House, 11 Byward Street, London, E.C.3. (ref: T. Bates/D. Coupe) on each weekday (other than bank holidays or public holidays) between the hours of 9.30 a.m. to 5.30 p.m. until 7th March, 1990.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade & Industry, Insurance Division, 10-18 Victoria Street, London, SW1H 0NN before 7th April, 1990.

The Secretary of State for Trade and Industry will not determine the application until after considering any representations made to him before that date.

HOARE GOVETT STERLING BONDS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Rule 4.182A of the Insolvency Rules 1986, that the Liquidator of the above company intends to make a distribution to the creditors. Creditors are required to submit full details of their claims and their names and addresses to the Liquidator, Roger Smith, at Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London EC4V 3PD on or before the 28th of February 1990 which is the last day for proving claims. Notice is also given that the Liquidator proposes to make final distributions and that such distributions will be made without regard to any claims not made by the date mentioned.

Note: The company is able to pay all its known creditors in full.

Dated: 22nd January 1990

Roger Smith

INSURANCE COMPANIES ACT 1982
Transfer of General Business

Notice is hereby given that The Norse Reinsurance Company Limited has applied to The Secretary of State for Trade and Industry on 22nd December, 1989 for his approval pursuant to Section 51 of The Insurance Companies Act 1982, to transfer to The Copenhagen Reinsurance Company (U.K.) Limited all of its rights and obligations under policies written by it in the United Kingdom on or prior to 20th December, 1989.

Copies of the statement setting out the particulars of the transfer are available for inspection at the offices of Messrs. Ince & Co. at Knollys House, 11 Byward Street, London, E.C.3. (ref: T. Bates/D. Coupe) on each weekday (other than bank holidays or public holidays) between the hours of 9.30 a.m. to 5.30 p.m. until 7th March, 1990.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade & Industry, Insurance Division, 10-18 Victoria Street, London, SW1H 0NN before 7th April, 1990.

The Secretary of State for Trade and Industry will not determine the application until after considering any representations made to him before that date.

IN THE MATTER OF CPS COMPUTING LIMITED
AND
IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 28th day of February 1990 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors, to come in prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Date this 25th day of January 1990
A Haji Roussos FCCA
Liquidator

No. 008891 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF VINTEN GROUP plc

and

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 11th December 1989 confirming the reduction of the share premium account of the above-named Company from £22,720,982.50 to £26,550.00 was registered by the Registrar of Companies on 21st December 1989

DATED THIS 25TH DAY OF JANUARY 1990

Greene & Greene of 80 Guildhall Street, Bury St. Edmunds Suffolk. IP33 1QB

Solicitors for the above-name Company

ARTS

Gary Barber and Mary Roscoe

Popeye in Exile

THE PLACE

Why turn a cartoon into a mime-show? Because, presumably, its characters are larger than life. Because they leap off the page. Because they embody something lasting in the human spirit. Just think of Mickey Mouse, Donald Duck, Flash Gordon, Batman and Little Orphan Annie – and you know what they stand for and how they move. Popeye, Olive Oyl, Swee'pea, Brutus and Co. are on the list, too, but David Glass, in using them for his new mime ensemble's show, has become bogged down by story-telling and by ideas about the social context that produced them.

Like Mickey and Donald – and Fred and Ginger, and Shirley Temple – Popeye is a hero of the Depression. Glass has – oh, dear – analysed all the cartoon's origins and elements. And – oh, dear, oh, dear – has added more story. And so we move from the supernatural melodrama of The Commander and The Sea Hag on one scale to a Depression soup-kitchen on another. Somewhere in the middle is Popeye but we have to bide our time for him. Not a lot of fun and none too easy to follow. As everybody now knows, mimes these days talk a lot and the first 20 minutes of *Popeye in Exile* are so full of talk, of changing scenes, of plot explanations and of new characters that we're befogged.

The mists start to clear, however, as we settle down to the main story. But we're 25 minutes into the show before some movement really strikes home and makes us chortle. This comes with the arrival of Oscar the Royal Office Boy. He comes on stage, draws a curtain – walking and talking is a slump, just like Disney's Goofy – and at once he's a hoot. The actor is Philip Pellew, who also plays Roughouse and Brutus. That entrance is the funniest move all evening and his gloating description of "a ruby-lipped beauty" is the funniest line. We see a character's whole inner being, as if in a single frame.

The show needs performing of this calibre right through and doesn't have it. Di Sherlock has several bright scenes. As both Dinah Mo and Miss Sneezle, she somehow suggests in her gait and accent an entire lost silent-movie era of scheming stenographers on the make, nursing plans of Hollywood glamour and world dominion. But as the killer-bitch Sea Hag *in propria persona* she is more one-dimensional. Gary Barber's accent as Popeye wanders over the Atlantic and Irish Sea in search of home; singing, he sounds just like Sidney James. Like everyone involved, he knows what's needed at every moment but he doesn't make it pithy or vibrant – he doesn't relish it. Glass, himself, is curiously staid as The Commander.

The show runs for two hours and 20 minutes (one interval) and feels about an hour too long. Some of the musical ideas – the jazz boxing match – are smart. Others – the Tonsilvanian National Anthem – don't come off. And there's much too much plot: acts two and three (after the interval) are nothing but. Act three occurs 15 years later, back in the soup-kitchen. Each character returns, now deflated. But only Olive Oyl makes this touching. Sadder, older, she shows us a bleak inner life and the sense of wasted time. Mary Roscoe's Olive, with her bug eyes, her Brooklyn nasal squeak, her twisted little mouth, is glorious all evening. When she sings "Someone To Watch Over Me" and, with Popeye, "The Way You Look Tonight," she retains character so precisely that she can add high notes *and* out-of-tune singing – and make them all part of Olive's second-class vitality.

Alastair Macaulay

CINEMA

Bludgeoned by Vietnam

CASUALTIES OF WAR
Brian DePalma

PIRAVI
Shaji

YAABA
Idrissa Ouedraogo

BLACK RAIN
Ridley Scott

"We're supposed to be here to help these people!" bleats soldier Michael J Fox in *Casualties Of War*. His squad, sent on a long-range scouting mission, has kidnapped a Vietnamese girl for the trip. The story of her rape and eventual murder is hammered out by director Brian DePalma in images resembling comic strips sprung to nightmare life. Lurid colours, lunging angles, and thoughts and feelings voiced with the brusque directness of speech balloons.

Yes, we are being hit over the head again by Vietnam. But no, this is not the dun-coloured, penitential mixture as before (*In Country*, *Welcome Home*). DePalma, of *Scarface* and *The Untouchables*, supplies the disenchantment but also a visceral energy. An action prologue in which Fox's squad is caught by enemy fire deep in the jungle sets the pace. Firework-like explosions; choreographic cutting; and a climax in which Fox, fallen up to his waist in a collapsed Vietcong tunnel, waits to see who will reach him first, Sergeant Sean Penn above-ground or the machete-wielding VC guerrilla crawling towards him below.

The *faux naif* simplicities of this opening never desert the film: for good and for ill. The good is the moral and dramatic clarity with which DePalma and screenwriter David Rabe (adapting a book based on a real-life incident by Daniel Lang) plot their early narrative. No doubt at all whom we are rooting for: Master Fox, trailing clouds of all-American boyish decency. No doubt either whom we hiss: Penn and his fellow squaddies. Scored for oafish animalism, they give the term "grunt" (US slang for soldiers) a new, onomatopoeic meaning.

But after laying out the map like this in early scenes, one expects an adult movie then to start crinkling it. Flat-ironed fables of good and evil are for children, ambiguity is for grown-ups. But the ambiguity never comes. Black stays black and white stays white: all the way through the inferno of the rape scene, through the lone rebellious stand taken by Fox, through the murder threats waved at him by his fellow soldiers and through the over-choreographed, will-they-won't-they horror of the girl's murder. (As we know from the baby-and-pram scene in *The Untouchables*, DePalma can never resist extending a suspense scene beyond its natural life.)

In the movie's final part, the combination of David Rabe's cudgelling prose (vide *Streamers*) and DePalma's primary moral colours produces a film almost risible in its evangelistic simplifications. Add Ennio Morricone's chorale-like music – it wins this month's *Last Exit To Brooklyn* award for misapplied religiosity – and you come out of *Casualties Of War* thinking that this film is one of them. There is room for a movie that comes clean about the evil ease with which a country's "police action" can turn into a country's power and libido trip. But there is no room for a movie that answers the declamatory with the declamatory: that confronts the bullying gung-ho of the bad guys with its own brand of bullhorning moral exhortation.

★

Be not dismayed. If you feel tainted by Hollywood simplification, you can clean your mind out with two more subtly developed movies from less developed lands.

From India, Shaji's superb *Piravi (The Birth)* is like an Oriental *haiku* teased out into a ballad. Almost nothing "happens." There are the white-stubbled old Brahmin's nightly boat trips to the village bus stop, where the son he hopes to meet never arrives. (He has disappeared after being arrested in a demonstration.) And there are the old man's ailing wife and schoolteacher daughter, filling the big dark house by the river with consolatory bustlings.

But hope is worn away by the son's non-appearance and by life's elemental repetitions: not least the thousand super-subtle sounds of rain (pattering, gushing, dripping; beating on tin, on wood, on water). By the close, the old man's mind has become the film's whole landscape. We see through his eyes: literally, in a letter-writing scene ingeniously reflected in his glasses. And we are attuned to strange rhymings like that between the scoopings of bath-water and the dying, breathless tossings of the wife in bed upstairs.

Shaji, a former cameraman making his feature debut, has a flair for making every shot paint a state of mind. Almost nothing is said with dialogue, almost everything with images and sound effects. *Piravi* is a "silent" movie in the best sense and a gem.

Yaaba, a dusty fable from Burkino Faso, also rehabilitates the wonder of silence. "Yaaba" ("grandma") is the name the young village boy Bali gives to the wizened, wrinkle-breasted crone he befriends, who prowls the surrounding desert after being cast out as a "witch." Here beyond the uncharmed circle of village life, boy and old woman can nurture their magic vision: which is the magic of standing apart and seeing the whole of life rather than little pieces.

Director Idrissa Ouedraogo turns this notional magic too readily into a movie-making technique. To film a story in a series of flat, eye-level long and medium shots – however hypnotic the desert vistas (like an inverted ochre sky with scudding bushes for clouds) – is to relinquish art for serendipity. The movie's most beatific moments seem its most accidental: the startled-animal glances of Bila's girlfriend or the confluence of figure and landscape in a sudden (and as suddenly lost) compositional inspiration.

★

No friend of sunbaked deserts, film-maker Ridley Scott is known for harnessing all available watery elements, notably in the mist-, steam- and rain-laden *Blade Runner*. *Black Rain* is about a semi-corrupt New York detective (Michael Douglas) who loses his cool and his Japanese captive when ordered to deliver the latter to Japan. Yakuza feuds ensue; Douglas's partner is killed; and thereafter we chase about Osaka and environs raging, screaming and wondering why the steaming-street quotient is as high here as in New York.

Forget the plot. It is too late to do anything about Craig Boloton and Warren Lewis's screenplay, which leavens its slam-bangery only with some clichéd culture-clash byplay between Douglas (all gritted teeth and rule-breaking) and his Japanese opposite number Ken Takakura (all protocol and programmed responses). Best to sit back and admire Scott's conversion of Japan to another menacing futureworld, throbbing with steam, neon and drizzling danger; and to hope he next applies his visionary skills to something better than this essay in yellow peril gone *film noir*.

Elsewhere, it is nostalgia week at the cinema. Loud hurrahs for the ICA, who have responded to mirror signals from across the river (*Bent* at the National theatre) by mounting their own pro-freedom, anti-Clause 28 season. New prints of Genet's *Un Chant D'Amour*, Warhol's *Couch* and the films of Kenneth Anger unspool in a season titled "Breaking The Taboos." Here you may see talented film-makers refusing to be chilled by censorship or vitiated by Victorian values.

Would that the new print of Fellini's $8\frac{1}{2}$ (15, Curzon Phoenix) were also a tonic. But the maestro's epic autobiographical fantasia, long deemed his masterpiece, has become tiresome with age. The plot has self-doubting film-maker Marcello Mastroianni wandering all over the hanging gardens of Signor F's imagination, buzzed and beguiled by muse-like girlfriends. (The who's who of 1960s sex-pottery includes Anouk Aimee, Claudia Cardinale and Sandra Milo.) But dazzling as are Fellini's humor and inventiveness, 140 minutes of unpruned free association and imagistic wild life is too much to take. Even Paradise needs a part-time gardener.

Nostalgia week's sharpest sting is the death of Barbara Stanwyck. In her heyday, Miss Stanwyck re-defined the word "glamour:" largely by throwing it out of the window. She excelled at well-heeled tramps and trollops, and she played "liberated women" long before they were liberated. The Stanwyck mouth was an alley-cat sneer; the eyes were bright with ironic self-assertion; the voice could be honey or lemon according to occasion. Along with Joan Crawford – but far more appealingly – she exemplified the shoulder-padded action woman in a man's world. She had no manners on screen; but off-screen she had, reputedly, the best manners of any major star.

Nigel Andrews

Sean Penn and Michael J. Fox in 'Casualties of War'

Malcolm Frager

QUEEN ELIZABETH HALL

The American pianist Malcolm Frager, his biographical note pointed out, is the only person to have won first prize in both the Edgar M. Leventritt competition in New York and the Queen Elizabeth competition in Brussels, neither of them a cinch. For sure he is a superlative relaxed technician of the keyboard and possessor of a seductive silvery touch; he is also a player with a lively mind who exercises himself on scholarly matters of authentic tempo and orchestration, as witness his performance (reviewed on this page) in London a few years ago of Schumann's piano concerto, an insightful interpretation based on an original manuscript discovered by Frager himself.

For his recital at the Queen Elizabeth Hall on Tuesday (the second in the South Bank's International Piano Series) he gave us a Schumannian second half but opened with Haydn and Beethoven. Unexpectedly the concert began at its artistic summit and climbed down by degrees, though the descent did not amount to undue disappointment for the listener.

For with the perfection of his rendering of Haydn's A flat sonata (Hob. XVI.46) nothing could be reasonably expected to compete. He made of this beautiful but scarcely familiar early work of Haydn's an experience of rapt and crystalline pianism. The pure textures, effortlessly achieved (with barely any pedal), of at least the first two of the three movements held the audience in a silent thrilled attentiveness which I haven't noticed on the South Bank since Richter played Schubert's great G major sonata there a year ago. All three movements in Frager's account disclosed a quality compounded of intelligence, spirituality and wit.

Beethoven's 32 Variations in C minor were despatched with absolute mastery. Frager's bravura octaves, high-velocity *staccato* runs in thirds, *leggiero* semi-quavers and other specifications of virtuosity could be admired in their own right, but subserved a reading sternly focussed on the work's broad formal outline. From Beethoven's two-movement Sonata in F (Op. 54) Frager drew all its subtlety and mercuriality and left us well-attuned to the Schumann-world of the following half.

Alas, this world did not altogether materialise. Partly it was because the G minor sonata Op. 22 is not quintessential Schumann and offers little more than occasional blustery charm. Partly it was because Frager seemed reluctant to dwell on the fantasy and curiosity of the Op. 15 *Kinderscenen*. He had the misfortune to strike a wrong note at the beginning of the famous "Träumerei" – the most exposed moment of the evening – but his reading of the piece was pedantic anyway. The memory of the Haydn outlasted the second half.

Paul Driver

Savage in Limbo

DUKE OF CAMBRIDGE

Above a pub that has the pleasant feel of a real local, where the purlieus of King's Cross give way to the Kentish Town nests of gentrification, the DOC (Duke of Cambridge) Theatre Club frequently mounts intriguing drama. Its latest offering is the British première of a play by the American John Patrick Shanley whose credits include an Oscar for the film *Moonstruck* and, as a movie director, a forthcoming vehicle for Tom Hanks.

Truth to tell, these quirky bar-room variations for a quintet of oddballs might also be seen to advantage on the screen – the small one; even the less than 90 minutes duration seems tailor-made for a TV slot. The writing treads that well-known and especially American tightrope between the flip and the glib, the wryly off-hand and the self-consciously whimsical.

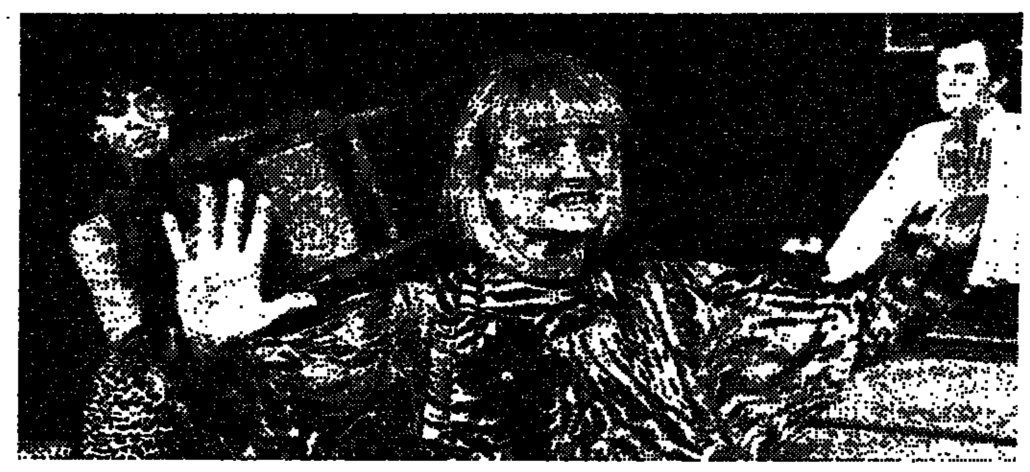
In Murk's bar we meet April flat out on the floor, drunk. Helped to the vertical, she is joined by slinky Linda and self-possessed Denise Savage. They are all 32, vaguely remember one another from school, and make tentative, rather desperate gestures at friendship. Linda, whose boyfriend has now unaccountably expressed an interest for ugly women, had unwanted pregnancies. She recognises the lush as an aspirant do-gooder. And Denise Savage is a virgin. "Wow!" exclaims an awed Linda. "What's it like?"

Well, it makes one both lonely and voluble; though this is preferable to the limping barman's insistence on watering withered plants or to wake April from a carol-warbling delusion that it's Christmas by donning a Santa Claus outfit he keeps handily under the counter.

There are flashes of deadpan wit and signs that the piece is rather funnier than a British audience can grasp. Ultimately, however, the feeling is of a formulaic exercise in playwriting, not so much because of the soft centre but because the language itself betrays the characters – as when Denise, spotlit in the darkness of eternal emotional solitude, echoes April's words about an animal and a corpse struggling within us. The animal in her is the only thing she loves, that is not a lie. Whether this is libido, or merely misanthropy, is not made clear. The quest for self-knowledge is the characters' main concern; having found it they should share the discovery with the spectators.

Bryce Pedersen directs, rather puzzlingly making the prolix boyfriend unburden himself facing the audience and with his back to those he should be addressing. The transatlantic cast is good, Harriet Robinson's fecund Linda particularly so, though much too slender for the character's feared fatness. Interestingly the New Yorker Kaethe Cherney pronounces "fertile" resolutely *à l'anglaise* and not, as Ogden Nash once memorably did, to rhyme with "turtle."

Martin Hoyle



Alastair Muir

Harriet Robinson and Iva Peele

ARTS GUIDE

January 19-25

EXHIBITIONS

London

The Royal Academy: Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure.

The Hayward Gallery. The Other Story – an intriguing but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the Western European tradition. Until February 4, except bank holidays.

Paris

The Louvre. The landscape in Europe from the 16th to the 18th century. Closed Tues, ends April 28 (40205151).

Musée des Arts Decoratifs. Bohemian glass 1400-1989 (42603214). 107, rue de Rivoli. Closed Tue, ends Jan 28.

Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).

Brussels

Palais des Beaux-Arts. Ludwig Wittgenstein and his influence on twentieth century art. Also photographs of Yousuf Karsh. Both closed Monday and end January 28.

Musée Numismatique et Historique (at the Banque Nationale). An exhibition of contemporary Belgian jewellery, medals and sculpture. Closed Monday ends Jan 31.

Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

Rome

Galleria Nazionale Dell'arte Moderna. Bertel Thorvaldsen (1770-1844). Sculptures, reliefs, portrait busts and drawings by the prolific and talented Danish artist who spent nearly 40 years of his working life in Rome. Ends Jan 28.

Braccio di Carlo Magno (St Peter's). Russian icons. Over 100 icons of superb quality in an exhibition organised jointly by the Soviet Ministry of Culture and the USSR-Italy Association. The icons date from the 13th to the 18th. Ends Jan 30.

Milan

Castello Sforzesco. Henry Moore retrospective. 49 sculptures covering the years 1938-1983. Ends March 25.

Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, watercolours as well as book illustrations. Ends Feb 18.

Madrid

Caja de Madrid. Raoul Dufy. Works by French fauvist, well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. Ends on Jan 26.

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1956 and 1985. Ends March 19.

Palacio de Velazquez. Art in Latin America. Ends March 4.

Frankfurt

Schirn Kunsthalle, Am Römerberg 6. The Surrealists. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

Hanover

Kestner-Gesellschaft, Warmbüchenstrasse 16. A retrospective of the Spanish painter Joan Miro (1893-1983), with around 120 works on loan from Spain. Ends Feb 19.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Vienna

Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autographed scores and libretti, letters and memorabilia, is the centrepiece of this exhibit. Ends Feb 18.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Tokyo

Sezon Museum of Art, Ikebukuro. Andrew Wyeth: Helga. A selection from the many paintings and sketches Wyeth made of his favourite model over a 15 year period and not revealed to the world until 1986. A secret obsession or commercial ruse? Closed Mondays.

Idemitsu Museum. Ceramics of Japan. First part of a comprehensive exhibition devoted to major pieces from the museum's own vast collection and focusing on karatsu ware and other ceramics from Kyushu.

Suntory Museum. A selection of works taken from the museum's collection of Edo period artifacts.

Royal Academy's plans for 1990

Despite a worrying deficit of over £500,000 the Royal Academy announced yesterday a surprisingly busy programme for 1990, surprising because the RA also has the builders in, improving its structure.

The highlight is undoubtedly a selection of the "series" paintings of Monet which will fill the main galleries for two months from September 7, courtesy of the sponsor, Digital Equipment. The exhibition concentrates on Monet's output of the 1890s, a succession of canvases depicting the same scene under different conditions of time and weather – haystacks, poplars, the Japanese bridge in his garden, etc.

It should prove very popular and the RA is examining selling tickets (£5 outside concessions) through agencies to enable enthusiasts to book ahead and avoid the queues. Securing the Monet show, which will previously run in Boston and Chicago, is one in the eye for critics who say that London is currently missing out on major international art exhibitions.

Another important show, Masters from the Gelman Collection, arrives on April 21 from the Met in New York, where it is currently on view. It consists of over 80 works from one of the best private American collections of 20th century art, with examples by Picasso, Degas, Renoir, Bonnard, Dali, Bacon, and many more. It is sponsored by Guinness, its first link with the RA.

Perhaps the most intriguing exhibition opens on July 28 – paintings and sculpture from the RA's own collection covering the period 1900-1950 when, in theory, the Academy was a conservative backwater, out of step with the most enterprising movements in contemporary art. This will give history the chance to decide on the qualities of the RA's of that era, and should enhance the reputations of artists too long overlooked.

The final show in the main galleries, starting on November 23, is of Egon Schiele and his contemporaries. Viennese art of the early 20th century is currently very popular and this is a timely event, which includes over 50 paintings and drawings by Schiele, who died in 1918 at the age of 28.

Attendances at the RA were disappointing last year, down 16 per cent at 787,715, but the current exhibitions of Frans Hals and Inigo Jones are doing well. The Summer Show, an important revenue earner, opens on June 9. Last year most of the 1,185 works on offer sold, for a total of £1.5m (of which the RA takes 25 per cent commission). A feature was the rise in value of each work sold, up from an average £406 in 1988 to £580.

Antony Thorncroft

FINANCIAL TIMES

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Thursday January 25 1990

Dilemmas in defence supply

THE MOST OBVIOUS explanation for the Ministry of Defence's decision to bless GEC's takeover of Ferranti's radar division, after fiercely opposing GEC's bid for Plessey last year, is that Ferranti's precarious health made some kind of deal unavoidable if it were to remain a credible bidder to supply radar systems for the planned European Fighter Aircraft. However, the affair also underlines a deeper dilemma confronting defence policies in Britain and in other western European countries.

More than any of its European counterparts, the MoD has sought to promote competition in procurement. Hence, its abrupt acquiescence in the creation of a domestic monopoly in an important sector of supply is all the more striking. None the less, all other European defence ministries are also under budgetary constraints which give them a powerful interest in seeking better value for money.

The problem lies in achieving this objective when mounting financial and economic pressures are already forcing a shake-out among suppliers. Not only is the general level of defence spending flattening out, a trend which is likely to be intensified by the ending of the Cold War. Available work is also being concentrated in fewer, bigger, programmes spread out over longer periods than in the past.

Winner's prize

As a consequence, the economics of defence contracting is becoming a game of "winner take all," in which the prize is often sheer survival. The MoD has acknowledged as much by conceding that whichever of the two British companies originally bidding for the EFA contract emerged as the loser would have had little future in the radar business. In other words, a domestic supply monopoly would have been probable even if Ferranti were not in financial difficulty.

Faced with the growing pressures on British suppliers to consolidate, the MoD has sought to maintain competition by promoting the notion of trans-European defence consortia, which would bid for work in several countries. Siemens' involvement in Plessey is in line with this idea, as is the recent proposal by British Aerospace and Thomson of France to pool their missile businesses. But the prospects for such ventures remain uncertain and will depend vitally on whether European governments are prepared to open their markets to them.

National consolidation

Still more important, efforts to construct a truly trans-European defence industry must contend with a much more powerful trend towards the consolidation of suppliers on a purely national basis. The most striking example is the series of takeovers, some of them government-backed, by which Daimler-Benz has emerged as West Germany's biggest military contractor. The GEC-Ferranti deal obviously points in that direction, as do some recent restructuring moves in France.

Such developments present a serious setback to efforts to rationalise military procurement. Creating monolithic national champions, able to exercise huge lobbying power with their respective governments, would further distort procurement policy and make it even harder to open national markets. It is difficult to take seriously claims that collaboration and alliances between huge, nationally-based groups would lead to increased efficiency. Such link-ups would more likely lead to cartelisation.

Yet even if a national champion structure can be avoided, it is likely to be increasingly hard to enforce commercial disciplines in an industry where brutal development costs are rapidly thinning the ranks of suppliers. It is far from clear how far this process can go without impairing effective competition in particular sectors.

Opening European markets to US competition could change the equation. However, the political obstacles to doing so remain formidable, all the more so as many European suppliers are poorly equipped to resist an American onslaught. None the less, it is an option which Europe's defence predicament may make it hard to avoid indefinitely.

Tensions among the regulators

THE SECURITIES and Investments Board yesterday took the opportunity of its annual budget and fees statement to knock down, somewhat belatedly, the stories that it has been engaged in plotting a major empire-building exercise. These rumours suggested that it would take on functions – such as prosecution of insider trading cases – which are now handled by the Department of Trade and Industry.

This still leaves open the possibility that the DTI might propose such moves, but the SIB itself has not sought to expand, and has been given no indications by the DTI that any developments are in the offing. What is true is that the SIB will need to move offices at the end of this year and is considering taking an office block which is roughly one third larger than it now requires; surplus space would be sublet.

These rumours would not be important if they did not indicate suspicion within the investment community. Elsewhere, the SIB has plainly been disappointed by the leaking of its discussion document A Forward Look to the press, and the dispatch of responses from self-regulatory organisations (SROs) which Mr David Walker, chairman of the SIB, has described as "unconstructive and almost adversarial." SIB officials think they are going out of their way to encourage more effective self-regulation.

Easy target

The SIB is an easy target for those wishing to deflect criticism. For instance, it has been accused by investment firms – recently, by life assurance companies – of greatly increasing their costs. But officials have calculated that the regulatory compliance costs of a life office cannot possibly account for more than 2-3 per cent of total marketing costs. Privately, they regard many of the complaints about costs as little more than frivolous, given that tighter regulation was specifically required by Parliament, and could not be costless. Similarly, there is scepticism about statements by the SROs that they wish to be more actively involved in policymaking. The SIB says it has received remarkably few policy initiatives from SROs.

Are such tensions creative or destructive? There would in some ways be more reason to worry if the relations between the regulators and the regulated became too cosy. But there must be a degree of concern that the interface between statutory regulation and self-regulation is still so ill-defined. Moreover the accountability of the SIB is not wholly satisfactory. Although it is responsible to the Secretary of State of the DTI and to Parliament, there appears to be very little direction from Westminster.

Extra stresses

The Financial Services Act 1986 sought to achieve a delicate balance. The framework needs to be secure so that it can stand up to the extra stresses that are bound to be imposed by the need to harmonise with European Community regulations in the post-1992 environment of a single market in financial services.

By and large, self-regulation is poorly understood on the Continent, where the investment markets are dominated by large, universal banks and life assurance companies, which are readily regulated on an institutional rather than functional basis. Flexibility of regulation is necessary to preserve the UK's more diversified and specialised financial services industry, but there are still serious doubts about how this can be successfully achieved.

In general, SIB's approach has succeeded much better with the wholesale-type SROs, covering stock market and investment management firms, which are used to self-regulation. These SROs are, for example, well ahead in the process of recasting their rulebooks in the new three-tier format. There has been less success with the retail SROs where there is a tradition of hard selling to the general public, and a difficulty in making the crucial distinction between the roles of self-regulatory body and trade association. Unless progress is made, there may have to be an admission that self-regulation is not the universal answer – in which case, the SIB would certainly need some extra office space.

ECONOMIC VIEWPOINT

It is that pay again

By Samuel Brittan

Do high pay settlements cause inflation or is it only monetary excess that matters? The subject was endlessly and fruitlessly debated throughout the 1970s from the Heath confrontation with the miners to the Callaghan Winter of Discontent.

It is dispiriting that these old arguments have resurfaced. For almost everything that could be said has already been said many times over. The differences are 50 per cent about political strategy, 30 per cent about language and only 20 per cent about how the economy works.

To cut a long story short, I would be happy to leave Ford to conduct its own pay negotiations, if it were clear that it would not be bailed out by sterling depreciation. But however many times Ministers say that the Conservatives are not the party of devaluation, the statement hardly carries overwhelming credibility after the 12 per cent fall in sterling in 1989, despite the very modest recovery so far in 1990.

It is amazing that faced with a mild inflationary threat Germany should be trying to revalue the D-Mark upwards, while Mrs Thatcher and John Major, faced with a larger threat, steer clear of anything like an exchange rate strategy. Nor is it an accident that France, and even the Republic of Ireland, both in the EMS, should have inflation rates of around 3 to 4 per cent or half the British.

Of course a sufficiently draconian domestic monetary policy might be a substitute for a credible exchange rate policy via the EMS. But some wishful thinkers in the popular press and among the Tory backbenches still speak as if monetary technicians could be told to press a few switches without any disturbance or pain. On the contrary, to complain against high interest rates and call for a return to monetarism in the same breath is not honest. What domestic monetarism means is that nominal interest rates should be allowed to rise to whatever height is necessary to achieve a stated goal. American interest rates soared above 20 per cent in the early 1980s during the Fed's most monetarist phase.

The judgment that an exchange rate approach suits

It is dispiriting that old pay arguments have resurfaced. All that could be said has been said

Britain better is not a timeless truth, but depends on the psychological attitudes of British industry and unions. It will be difficult enough to persuade them that an EMS parity will be respected when the going gets rough. It will require persuasive powers on an unlikely scale to persuade them that the same result can be achieved by a complicated domestic route via the banking system.

* * *

If you want a conversation stopper at an economic cocktail party ask the next person you see: "What are you assuming about invisibles?"

Invisibles consist of all overseas receipts and payments other than physical exports and imports. (Figures for the latter are to be published tomorrow). When a copy of the Financial Times is sold abroad that is a visible export. But if the right to reprint this article is sold instead, the export is called invisible.

The popular impression is that the future of the balance of payments depends on invisibles. Manufacturing may be in the red; but the earnings of the City of London, together with flashier activities like public relations, advertising and journalism, must surely be on an upward slope.

Imagine, then, the joy of the doomsters when they can report that, so far from coming to the rescue of visible trade, the invisible surplus has been running off fast in recent times. Earlier on net invisible earnings were, indeed, rising to reach a peak of £9.3bn in 1986. But they then began to fall to £7.1bn in 1987 and £6.2bn in 1988 and are projected by the Central Statistical Office to dip below £3bn in 1989. There was, moreover, a sharp deterioration between each of the first three quarters of last year.

Nevertheless, a non-hysterical examination suggests that recent experience has been a fluctuation rather than a new trend and that the official forecast of a £2bn rebound in 1990 is somewhere in the ballpark and could go further in 1991.

The improvement will be largely a cyclical one reflecting the economic slowdown. A long-term upsurge is not in sight – as much because of the peculiar way in which the balance of payments is measured as of anything that is likely to happen on the ground.

Now for a little nitty-gritty. One item puzzling to the lay eye is "transfers". Most of it reflects Government payments, including overseas aid. About half the net disbursements are payments to the European Community. If Britain's hard-won agreement to limit budgetary contributions means anything at all, Britain has been suffering from an unfortunate but temporary simultaneous dip in receipts from the Agricultural, Social and Regional Funds. According to the Autumn Statement, net payments to EC should reach £2bn in the fiscal year 1989-90 and hover a little below that level in each of the three subsequent years.

The most interesting "invisible" category is Interest, Profits and Dividends – IPD to the initiated. Here, there has been a very sharp rundown from net earnings of £5bn in 1988 to a probable total of below £3bn last year. Much of the deterioration is accounted for by the increased interest costs of net monetary liabilities. This is due to both the inflow of banking funds to finance the current deficit and the higher interest rate that has had to be paid on these funds.

But there is something curious here. For Britain's net overseas assets held up well in 1989. In other words, the deterioration of the banking position was offset by an improvement in other overseas assets. Why then was the improvement not reflected in a corresponding rise in earnings on these assets?

Here we reach the weird and wonderful. Net earnings on direct investment fell off in 1989 because the profitability of British industry improved so much. Accordingly, profits and dividends accruing to overseas owners rose more than British profits overseas. In 1990 British profits will be under pressure; so the outflow will be less and net direct earnings will be higher.

On the portfolio side, the arithmetic is even stranger. The running yield on British-owned overseas securities is modest. The return comes in the form of capital gains which are ignored by balance of payments conventions. The following is an example of their absurdity. In 1988, the appreciation of UK net portfolio holdings was estimated by the Bank of England at £13.6bn, compared with earnings of only £0.3bn on a balance of payments basis. To add to the absurdities: the fall in the pound in 1989 should boost overseas profits and dividends because they will be converted into sterling at a more favourable exchange rate.

The item called "services" is almost straightforward by comparison. The surplus on most financial services has been on an upward trend. There has, however, been a deterioration in insurance reflecting larger payments for natural disasters in 1989. It may take a few more quarters; but an upturn in premium income and the turnround of the insurance cycle should lead to some recovery.

The most comprehensible deterioration has been in travel, due to a big rise in expenditure per head by UK tourists. The harsher economic climate and the large fall in

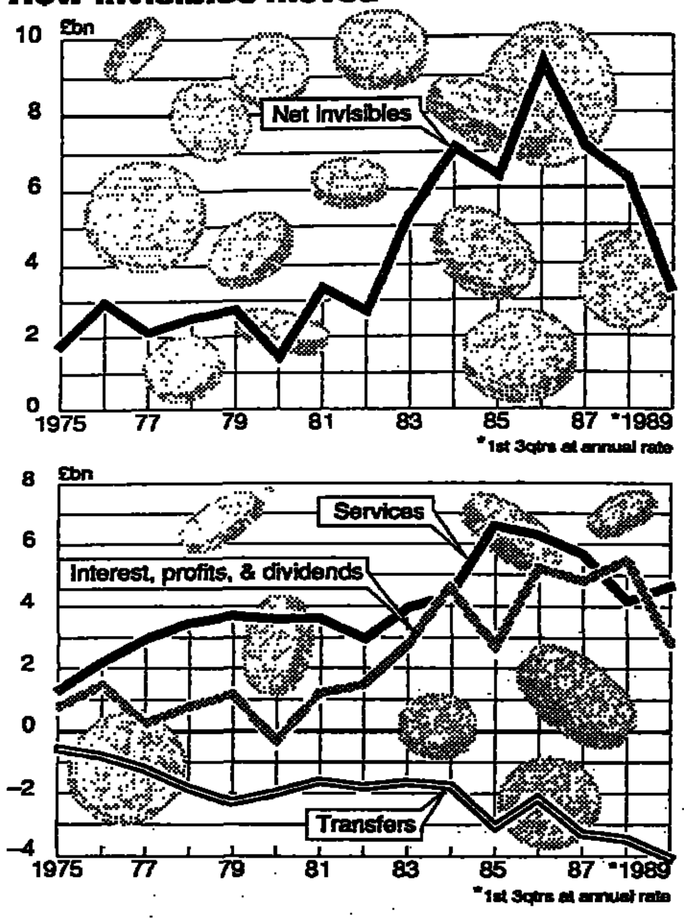
So far from coming to the rescue of visible trade, the invisible surplus has been running off fast

reported travel bookings make the official number crunchers pretty confident of an improvement in the £2bn travel deficit.

Indeed, they expect that the combined improvement in European payments, insurance, travel and other items should outweigh any further deterioration of net interest payments in the monetary sector, sticking strictly to the conventional arithmetic.

But don't expect a straight line improvement in invisibles in every coming quarter. The rebound will come – as with most other indicators – when your attention is focused elsewhere.

How invisibles moved



BOOK REVIEW

Prospector in eastern ideas

COMMUNIST ENTREPRENEURS: Unknown innovators in the global economy
By John W. Kiser III
Franklin Watts, £19.95

John Kiser calls himself a prospector. The territory he scours for his nuggets embraces much of the globe. He is seeking technology in eastern Europe that might find a market in the West. His Washington-based company, Kiser Research, trades in intellectual property across the East-West divide.

Kiser has met many entrepreneurs in these states. He characterises them as "achievement-oriented, and strong-willed, and they disregard rules." They are straining against bureaucratic bonds, and have ample ideas that the West would find exciting. As an entrepreneur himself, he could scarcely have stage-managed publication of his case at a more opportune time.

Some 70 years of socialism have not bred entrepreneurism out of the Soviet psyche. Two years ago – long before current political upheavals started – a bevy of high-ranking Soviet bio-scientists approached Dr Roderick Greenshields, a British specialist in the same field, to seek his help in finding outlets for their innovations in the West.

The 11 entrepreneurs discussed by Kiser put, in his words, "a human face on systems whose economic and technical performance is normally described abstractly by dubious numbers and generalities." One he nicknames "the wizard of Prague." Otto Wichterle is one of Czechoslovakia's wealthiest yet most respected people, a chemist who invented the soft contact lens, consults for the US optical group Bausch and Lomb, and has the cheek to list foreign trade as a hobby in his CV.

Two New York lawyers in 1964 first heard of Wichterle's soft lens and, while it was still at the stage of home manufacture on apparatus made from Meccano, tried to bring it to the US. Established hard-lens manufacturers were unreceptive. But Bausch and Lomb bit. With no contact lens business, it was open to new opportunities. Later it fought and won a legal battle against copying by another US company which tried hard to discredit the Wichterle patents.

Another he nicknames the "Red Baron." Manfred von Ardenne is indeed an East German baron but also a physicist who runs a sizeable research institute in Dresden mainly devoted to manufacturing processes, although his specialities range from electron physics – he invented an electron microscope in 1937 – to cancer cures. An associate described von Ardenne to the author as "70 per cent businessman, 30 per cent scientist."

Kiser discusses his 11 entrepreneurs – including three Soviet citizens – in a way that convinces the reader he knows them, has looked into their eyes, and knows he can do a deal. He likens them to salmon fighting upstream to lay eggs. "Not money, but variable mixtures of ego, idealism and upbringing are the principal ingredients of motivation."

Turning to the technology, Kiser is no less convincing that there are worthwhile ideas to be uncovered, although unexpected differences in approach may disguise their utility initially. There is an old military story of how western observers noticed that Soviet tanks were hard to detect by their heat (infra-red) emissions and promptly concluded the Soviets knew something they didn't about Stealth technology. Only much later did the West learn that Soviet designers had always tried to keep their tanks cool to encourage the infantry to hitch a lift.

Kiser reminds us that, despite some conceptual differences that would have caused mutiny in western ranks, the most effective medium-size tank of the Second World War was the Russian T-34. He believed the T-34 illustrates both the strengths and the weaknesses of the Soviet approach to a technical problem: "a bias towards solutions that are incremental, minimalist, crude, but effective at performing essential tasks." The peasants recruited to crew the T-34, unaccustomed to the comforts of cars, rode in a gun turret that did not turn with the gun and were therefore obliged to "scramble like hamsters" whenever the gunner re-aimed.

Kiser's list of eye-opening technological achievements since the Second World War includes one which grabbed western attention at a high political level. This was the discovery that the Soviets had bugged the new US embassy in Moscow with a ceramic sensor invisible to its bug-detectors, and could read the output of its electric typewriters. Another is the stapling gun invented by Soviet surgeons to replace stitches with steel staples. Acquired by a US start-up firm in the 1970s, it is now the basis of a $250m business for US Surgical Corporation.

Kiser lists nearly 50 examples of East bloc technology licences negotiated with companies in the US, Japan or western Europe since the mid-1960s, predominantly for materials, processes and bio-medical inventions. He fervently believes that under the influence of a political entrepreneur as talented as Mikhail Gorbachev the opportunities will multiply rapidly. His text does not tell you how to transfer technology from the East but rather establishes his credentials for doing it for you.

David Fishlock

OBSERVER

French cars fold up

■ Folding cars could soon be puttering about on French roads if a prototype being developed in deepest rural France proves a success.

The brain behind this latest example of French ingenuity is that of Jacques Calvel, a 62-year-old impoverished inventor living in the tiny village of L'Hospitalet du Larzac in the southern French region of Aveyron.

Not to be confused with Jacques Calvet, chairman of PSA, the makers of Peugeot and Citroen cars, Calvel managed to get support for his idea from his local chamber of commerce, which has backed the production of the first test vehicle.

Cynics might recall that small convertible belonging to the ungainly Monsieur Hulot in the Jacques Tati film bearing his name, with its tendency to collapse in a heap of flapping canvas. This one, however, is no gimmick, we are assured by Christian Dalmayrac, technological promoter at Millau Chamber of Commerce.

With the aid of a 49.9cc moped engine, the two-seater four wheel vehicle can manage 30 kmph. It folds into a neat bundle 1.75m long, 1.10m wide and 0.4m thick.

Calvel originally thought of it as a fold-away golfing car, which is why it has been – perhaps unwisely (*pace* Volkswagen) christened the Golf. However, Dalmayrac reckons it could just as easily stow into a big camper van, giving a handy extra means of transport for roving holidaymakers.

He has seen camper vans in the US actually towing small cars for just that purpose. "This would be much more convenient," he points out. Pleasure boats could equally benefit from a folding mini, giving the crew a spot of mobility on land.

Dalmayrac believes it would be possible to sell 30 folding cars per year in France alone, which at a possible selling price of Ffr35,000 each would be just enough to support a small business.

Calvel, who was on holiday yesterday, has a long list of inventions, but as yet no commercial successes, to his name. They include what is believed to be the world's first all plastic aeroplane. This time Dalmayrac is helping him find the Ffr1m or so needed to get a certificate of roadworthiness and bring the car to the market.

"K" has a clue

■ Mysterious postcard from King's College Cambridge, signed simply "K". We thought that Cambridge had got out of this business some time ago. Anyway, K tells us that "Z", the anonymous critic of Mikhail Gorbachev, is Martin Malia, Professor of History at Berkeley, California. "His splendid biography of Herzen appeared in 1963: only journalism on Poland since. The Z article, long in gestation, is his riposte to the intervening quarter century of 'soft' Sovietology."

Malia's main book is Alexander Herzen and the Birth of Russian Socialism, 1812-1855. He has also written on Russia under Western Eyes. When we spoke to him yesterday, he denied he is "Z", but Cambridge was on to something.

Militant Mersey

■ The Labour Party is to launch an inquiry into the possible role of the Militant Tendency into the deselection of Frank Field. It will not be easy, for the point about Militant on Merseyside is that if it is rebuffed in one area, it re-emerges in another.

Here is an example of how Neil Kinnock's apparent tri-

"Nelson Mandela won't come out 'til you go home."

umphs can be reversed. The ruling Labour group in Liverpool voted a fortnight ago to appoint two of the 47 councillors disqualified from office in the city's budget crisis as assistant to Ken Stewart, Merseyside's Euro-MP.

One of them is Tony Mulhearn, expelled from the party and former right-hand man to the arch-Militant Derek Hatton. The posts would be paid for by Liverpool community charge payers.

The vote was taken when enough anti-Militants had left the meeting to ensure the result went the "right" way. The antis are now fighting back: having stalled the appointments at the council's finance and strategy committee this week, they hope to block them in the full council meeting shortly.

It was Keva Coombes, generally reckoned to be a pragmatic and usually sensible council leader, who pushed the appointments through. He may now have to withdraw the job offers. But there seems to be something ingrained in Merseyside politics that allows this kind of thing to go on happening, however much the leadership tries to stop it.

Coombes is on the shortlist to replace Robert Parry, the sitting Member for Liverpool Riverside, as the Labour candidate at the next general election.

Double genitive

■ Observer's minor campaign to get rid of double genitives is meeting setbacks: mainly in the form of pronouns. As Wolf Luetkens wrote in a letter to yesterday's paper, presumably not even Observer would say: "It is an error of he." That would be an error of his.

Several other readers have made similar points. For example, Donald Hirsch of London N8 writes: "So you are no friend of John Major's. But is he a friend of you?"

A letter from Gerard Noel of London NW8 runs in full: "If you continue with your minor campaign you will be no friend of me."

A reader from Berkshire claims that "He is a friend of John Major's" is not necessarily grammatically wrong. "If 'a friend' implies, hopefully correctly, that Mr Major has others, it should be understood as a friend among John Major's'." Odd that such a grammarian should misuse the word "hopefully".

The main point seems to be that you cannot impose logic on English grammar. But you can try. It is better than trying to impose illogic. The campaign continues.

Dutch youth

■ Executive Travel, the magazine of British Airways, tells the story of a seven-year-old boy who threw a bottle into the sea at Sheringham, Norfolk with a message asking for a pen pal. It was duly found on the beach at Zandvoort. But the message that came back from the Dutch boy who picked it up was less than friendly. It read: "Do not throw rubbish into the sea again."

Ian Rodger considers the political and policy uncertainties attaching to the forthcoming Japanese general election

Pundits and markets share a case of nerves

The further weakening of the yen in foreign exchange markets yesterday and a sharp drop in Tokyo bond and stock market prices were perhaps the most fitting reaction to the news of the dissolution of the lower house of Japan's Diet (parliament) for a general election on February 18.

Yesterday's market falls, which came after several weeks of unease about Japan in financial markets, is a reminder that these days a Japanese election can matter not only to the Japanese but also to the world.

Markets usually react unfavourably to uncertainty, and the outcome of this election is very difficult to predict. There is even a very slight possibility that the Liberal Democratic Party (LDP), which has ruled Japan in its present manifestation since 1955, could be thrown out of office.

If, for example, the group of parties, totally inexperienced in government, which make up the Opposition in the Diet were to take power, there would be many reasons to worry about the course of the country's economic, trade and foreign policies. At a time when these policies have a growing impact on international movements of various kinds, those worries would not be felt only within the country.

Even if, as seems most likely, the LDP manages to cobble together a working majority in the lower house of the Diet, perhaps with help from independent conservatives, or, if push really comes to shove, with one of the centrist opposition parties, it will face much greater difficulties in making and implementing policies than heretofore. The Opposition forces in the Diet are gaining in strength and unity, while the LDP is suffering from increasing internal discord.

However, as with many changes in Japan, what looks like the beginning of a major realignment of political forces is likely to proceed at a stately pace, and the prospect for disruptions in economic policy or increased tensions with foreign countries should not be overstated.

Whatever the outcome, the LDP is likely to get a new leader and Japan a new prime minister within months if not weeks. This has nothing to do with policy and everything to do with the internal dynamics of the party. Mr Toshiki Kaifu, who many thought was the forerunner of a generational change in Japanese political leadership, will probably be forced to give way to Mr Shintaro Abe, the ageing former foreign minister.

According to the latest polls, the LDP goes into the campaign with a seemingly comfortable 45 per cent popular support rate, well ahead of its nearest opponent, the Japan Socialist Party (JSP), which has 25 per cent. However, experience indicates that, at this level, the ruling party will have a difficult time winning an absolute majority of the 512 seats in the lower house. This is not surprising in itself. The party has often failed to win a majority in previous elections, but has always managed to put one together with independent conservatives.

Most of the LDP's problems are self-inflicted. Farmers were annoyed with the liberalisation of agricultural markets, consumers disliked the three per cent consumption tax introduced last April and just about everybody was appalled by the Recruit scandal in which bribes were offered for political favours. These incidents, together with a minor sex scandal involving the then prime minister, Mr Sosuke Uno, were largely responsible for the LDP's defeat in last July's elections in which the party lost its majority in the upper house of the Diet, a defeat inflicted by the Socialists.

Public anger appears to have died down on most of these issues, but the consumption tax is still very much alive. According to one poll this week, nearly two thirds of the electorate consider the tax the most important issue in the campaign and only 36 per cent support its retention. Also, many of the politicians implicated in the Recruit scandal are running for re-election and their opponents will try hard to refresh voters' memories about their involvement. After so many years in power the LDP is also suffering at the hands of public boredom.

The opposition parties, led by the Japan Socialist Party (JSP) also have vulnerable points. After their triumph in last summer's upper house elections, they seemed well placed to develop for the first time in the postwar era a credible alternative force to the LDP. But JSP leaders were unable to convince their militant supporters that the party should drop its 1950s style Marxist policies – including neutrality for Japan and non-recognition of South Korea. Negotiations with the other, more moderate, opposition parties aimed at forming a coalition foundered and the parties' standing with the public tumbled. In December, things began looking up again when they managed to use their control of the upper house to introduce and pass a bill (subsequently killed in the LDP-controlled lower house) to abolish the consumption tax. Also, a JSP leader made a successful visit to South Korea, demonstrating that the party was trying to become less ideologically driven.

There are several technical factors that could affect the election outcome in unpredictable ways this time. A record 63 Dietmen, including three former prime ministers, retired yesterday, making way for younger candidates whose vote-drawing power is uncertain. Similarly, a record number of independent conservatives, probably about 110, is expected to enter the lists. Most of them have become independent or decided to run for the first time because of their disenchantment with the LDP and their belief that its candidates can be beaten. The LDP itself is running an unusually large number of candidates, approximately 330, because of the inability of party leaders to agree on limits. As in the upper house campaign last summer, the opposition parties will combine forces in selected constituencies so as not to split the anti-LDP vote.

If Japan had a simple first-past-the-post election system, the effect of many of these factors would be to split the vote to the advantage of the front runner, who in most constituencies would be an LDP man. However, the effect is much more unpredictable than that in Japan's peculiar multi-seat constituency system. In each constituency, anywhere from the top two to the top six candidates in the poll win seats, and the addition of marginal candidates can easily swing the lower end rankings.

For example, the number three Gumma constituency north-west of Tokyo, which promises to provide one of the most exciting contests, has four seats. In the past, they have been won comfortably by three candidates from the LDP – former prime ministers Yasuhiro Nakasone and Takeo Fukuda and former chief cabinet secretary Keizo Obuchi – and one from the Opposition, Mr Tsuruo Yamaguchi, secretary general of the JSP. This time, Mr Obuchi and Mr Nakasone are in trouble because of their Recruit connections and Mr Fukuda has retired, giving way to a son whose popularity is untested. One or two them could be beaten by the new independent candidate, who is a former Nakasone supporter, and/or by a combined opposition candidate.

In the past, one of the characteristics of this multi-seat system has been a muting of ideological battles between the LDP and opposition parties. The issues have tended to vary from constituency to constituency with, more often than not, LDP candidates competing more vigorously with each other than with opposition candidates. This time, however, the JSP and other opposition parties will be bleating about the consumption tax all over the country. The LDP, with the solid backing of the business community, has begun attempting to frighten voters about a JSP led government. "We are the party of freedom," Mr Kaifu said yesterday.

LDP leaders seem confident that they will squeak through with around 260 seats, but even if they do, it is probably not going to be business as usual following the election.

It is generally expected that the JSP, which will not field enough candidates to win outright, will take about 140 seats. This is a big jump on the 85 it won in 1986, its worst performance in many years. Also, the opposition forces may be able to control the upper house for at least another three years, although some LDP leaders have been trying to negotiate informal arrangements with the minor parties to regain control.

For complex internal reasons, the potential for sharp changes in the relative strengths of the LDP factions this time seems considerable. If that proves to be the case, the party, which arrives at most of its decisions through inter-factional horse trading, could be paralysed for a time.

There is already evidence that policymaking is becoming more difficult, simply because the LDP is finding it more difficult to be all things to all people. There are open disputes over the future of the consumption tax – some would abolish it, others want to revise it. Differences are even emerging on the hitherto sacrosanct policy on keeping the rice market closed to imports.

The appointment of the prime minister could also arouse fresh resentments. Mr Kaifu, whose straightforward style has contributed significantly to the LDP's popular recovery in recent months and whose recent trip to eastern Europe was a success, is nevertheless in a precarious position. Even if the LDP maintains its majority, the powerful old men who control the largest factions, former prime minister Noboru Takeshita and Mr Abe, are not likely to let him stay in office long. It is widely believed that Mr Takeshita promised two years ago that he would help Mr Abe become prime minister and he seems determined to fulfill it. Others in the party, hoping for a rejuvenation of both the leadership and policies, are bound to be disappointed if this happens.

It all suggests that there will be plenty of events capable of upsetting financial markets in the next few months, but it is worth remembering that, in the past 30 years, a lot of people have regretted underestimating the ability of Japanese leaders to adapt to new circumstances.

Right answers for the job

Giles Keating imagines the interview for Mrs Thatcher's special economic adviser

THE LATEST candidate for the vacant job of special economic adviser to the Prime Minister has just returned from the interview. How did it go?

"It was difficult. They asked me to come up with some economic arguments in favour of raising the limit for mortgage relief in the Budget."

What on earth did you come up with? Most sensible economists want to reduce the tax privileges for housing, perhaps by ending the CGT exemption on main residences – look at Samuel Brittan's article in the FT on 18 January ("The dragon ride ahead").

"I pointed out that other savings media, especially pensions, have favourable tax regimes, but they weren't impressed. They became more excited when I suggested that the CGT treatment of housing isn't particularly generous. Gains on a financial portfolio can easily be realised annually, thus making use of the CGT allowance (currently £5,000 and presumably double that for married couples), but partial annual disposals of a house are impossible. A couple needs one third of a million pounds of shares before they start paying CGT, on reasonable assumptions, so they should not pay tax on a house worth less than that, which means most homes."

Ingenious. Did you come up with anything else?

"Yes. I argued that many people bought their homes during the 1988 bubble, egged on by a monetary policy that had successfully restrained inflation in the previous six years and seemed to promise continuing cheap credit. They acted on the basis of an expectational error which only became apparent when the government unexpectedly had to tighten. Compensating such individuals through the tax system would not merely be just. It would enhance economic efficiency by undoing some of the effects of that error. For example, it should reduce wage pressure, particularly since a higher mortgage relief limit lowers the RPI."

Sounds a bit of a dangerous argument. What about the upward pressure on house prices, and inflation, from raising the relief?

"They made exactly the same point, but I told them that back in 1980 raising the mortgage relief limit from the then level of £25,000 would have helped many Londoners, whose average home cost almost £30,000. Yet it would have been of little use in the recession-hit areas, where average house prices, and therefore mortgages, were below the limit, for example around £21,000 in the West Midlands.

"Now the reverse applies. Raising the limit to, say, £35,000, would have little impact in and around London, where average home prices are nudging six figures. In further flung regions average prices are lower but well above the mortgage relief limit, for example £60,000 in the West Midlands. An increase in the limit would have a significant effect in such areas. So it would help to narrow the big differential in home prices between the richest and poorest regions, which has started to decline but is still a major impediment to labour mobility and hence is inflationary."

That's all very well, but higher rate taxpayers get a big benefit from an increase in the limit, and they're concentrated in the south east.

"That's a crucial point. I told them to avoid the problem by *abolishing* higher rate relief, which also reduces the revenue cost of raising the limit. This would leave most higher rate taxpayers worse off, but that can be offset by raising the basic rate threshold from its current £20,700."

It sounds as though you did well. Do you think it'll be in the Budget?

"Look at the Chancellor's New Year Financial Times interview. He was asked about possible alterations to corporation tax and made a forthright statement of his opposition to change, but when asked about mortgage relief he was more ambiguous, saying it was too close to the Budget to respond. Draw your own conclusions."

The author is Director of Research at Credit Suisse First Boston.

LETTERS

Occupational pensions: a 'lack of courage'

From Mr Michael Meacher MP.

Sir, The Social Security Bill which received its Second Reading on Monday is a ragbag of unconnected measures. If there is any common theme to its several subjects this can only be parsimony or fiscal sleight of hand. But it is the Bill's proposals on occupational pensions which show the greatest lack of political courage and foresight. Here the Government has squandered the opportunity to offer a fair deal to employees, early leavers and pensioners of occupational schemes alike.

The Bill proposes revaluing preserved pension rights accrued before 1985 by inflation, but only up to a maximum of 5 per cent a year. A scheme that did no more than this would still cut the real value of preserved pensions dramatically. A pension preserved for 20 years would today be worth less than 40 per cent of its original value under the Government's proposals.

The same inflation-or-5-per-cent formula has been suggested for occupational pensions in payment. There is to be no legislation here, only a recommendation that this is good practice. This is positively insulting. The Government's idea of good practice would have seen the real value of an occupational pension fall by 50 per cent in the last 15 years.

In fact, as the survey of actual performance by R. Watson and Son shows, larger schemes have kept over 80 per cent of their value over the same period. The worst schemes however offer no uprating at all, and pensioners of these will have seen three quarters of the value of their income eroded since 1975. These schemes will be the least likely to take note of government recommendations, needless to say.

Labour believes the full value of both preserved pensions and pensions in payment should be maintained through full uprating by inflation. This will produce the usual squeals of protest from the CBI and others that many schemes would collapse if forced to do this.

Leaving aside the truism that pension schemes which cannot preserve the value of their pensions are bad schemes, this is a hollow plea at a time of record pension fund surpluses. Labour will also require preserved pension rights to apply to employees with over six months contributions rather than the current two years.

The raiding of pension fund surpluses by employers continues unabated. The euphemistic "pension holidays" are nothing more than theft from the pockets of employees past and present. Pensions are simply deferred pay, yet the idea of employers taking "holidays" from paying current salaries is preposterous.

Where surpluses are excessive "holidays" should apply to employees and employers equally. Otherwise they should be used to improve the terms of the scheme for pensioners and early leavers.

Labour will seek to amend the Bill when it enters Committee Stage next week in the long-term interests of both members of occupational schemes and the taxpayers who will be forced to pick up the bill for the inadequacy of those schemes.

Michael Meacher,
Shadow Secretary for Social Security,
House of Commons, SW1

An American shortcoming

From Mr David Jeffcock.

Sir, Mr Salonen (Letters, January 19) is right to draw attention to the failure of the US constitution. Together with the English and Japanese monarchies and the papacy, the American presidency is the oldest political institution in the world. Yet, in the age of Concorde, nearly three months still pass from the date of election before the President takes office.

David Jeffcock,
Wellington House,
Captain's Row,
Lymington, Hampshire

Plea for press consistency

From Mr Peter Murray.

Sir, With the Commonwealth Games under way we can prepare ourselves once again to see the media going to any lengths to claim their own country's credit in some aspect of a winner's accomplishment.

In harmony with this approach will the UK press now refer to Mr Alan Bond as "the British-born Australian businessman."

Peter E. Murray,
30 Esther Road,
Balmoral Beach,
New South Wales,
Australia

The policy of Ceausescu towards Israel and the Arab world

From Mr Azmi Shafeeq Al-Salihi.

Sir, Edward Mortimer's article ("Romanian goose, Iraqi gander," January 9) with its too obvious anti-Arab tone and content can only be seen as an embarrassment to your paper.

Obviously the author did not think decades of Israeli oppression suffered by Palestinians and the uprising of their second and third generations significant enough to deserve the protest of a "European enthusiast for human rights and political freedom." That is obviously how he sees himself, as he accuses Arab leaders of being unhappy about Ceausescu's downfall.

Mr Mortimer ignores the fact that Romania under Ceausescu was the only European communist country that maintained diplomatic relations with Israel. Furthermore, up to his last days Ceausescu had been heavily involved in arms deals with Iran.

Mr Mortimer surely knows that Ceausescu had even planned the last barter deal between Israel and Iran, and his collaboration with Iran throughout eight years of the Iran-Iraq war could not have been misapprehended by a journalist and writer so well-informed on Middle Eastern affairs.

Hence our scepticism of the motives behind Mr Mortimer's refusal to see that Arab leaders have every reason to rejoice at Ceausescu's fate. Mr Mortimer seems to be deliberately ignoring violations of human rights perpetrated by the occupying Israeli troops against innocent and unarmed Arab civilians.

However, Mr Mortimer cannot obscure what history has recorded of the Arabs' experience of political freedom through their struggle against colonialism and imposed mandates.

One is bound to ask how any Arab can believe that Mr Mortimer is more concerned for Arab political freedom than the Arabs themselves, when he regards himself as entitled to speak for them purely on the basis of false information fed to him by a handful of those who have failed to fulfil their obligations towards their homeland and countrymen.

Such superficial enthusiasm for the Arab nation at a time when Arabs enjoy their hard-won independence, following the long struggle against colonialism, prompts one to ask Mr Mortimer whether he has ever discussed with these people their role on the actual battlefield during the Iran-Iraq war, given the fact that Mr Mortimer himself is one of a nation with similar experience and sacrifices.

Mr Mortimer must have pinned his hopes on the excellent timing of his article – that is when peace-loving nations are responding positively to the Iraqi peace initiative announced recently by President Saddam Hussein. The article could only have comforted those unhappy about a further Iraqi initiative for peace and stability in the region.

Mr Mortimer's motives become particularly questionable as, pretending for a moment to have forgotten the titles held by several European leaders, he criticises titles held by President Saddam Hussein, who remains to be seen as the leader of the victory won by the Iraqi people in the longest and most destructive war in modern history, in terms of human casualties and physical damage.

As Iraqis and Arabs, we do not find it appropriate to lecture other nations on titles held by their leaders, nor to advise them on how to run their countries, nor how to bolster their defences. We regard all these matters as the birthright of every nation.

Azmi Shafeeq Al-Salihi,
Ambassador,
Embassy of Iraq,
21 Queen's Gate, SW7

FINANCIAL TIMES
Thursday January 25 1990

Aeroflot places orders for five Airbus jets

By Paul Abrahams in London

AEROFLOT, the Soviet airline, has ordered five aircraft from Airbus Industrie, the European aircraft consortium, in its first purchase of western commercial jets.

It is not yet clear how the deal, which is worth at least $370m, will be financed. However, it is understood that the purchase will probably be funded through a financial lease.

Crédit Lyonnais, the French bank, is expected to be mandated in Paris tomorrow by the Soviet airline to syndicate the lease to a group of banks from the UK, France and West Germany. No export credits are expected to be involved.

The order is for five A310-300 wide-body jets which will be delivered between November 1991 and June 1992. Aeroflot is also expected to announce a commitment to purchase five more A310-300s within the next few weeks.

The deal is a significant coup for Airbus. Aeroflot is the largest airline in the world, with 16,000 aircraft. Airbus believes that the Soviet Union represents the largest potential market in eastern Europe and has requirements for as many as 22 aircraft.

The jets will be used on international routes to the Far East, Europe and North Africa. The Soviet airline intends to use the hard currency from these routes to pay for the aircraft. Western aircraft are more fuel efficient than their Russian counterparts and do not have their unfortunate reputation for lack of comfort and safety. They are also quieter than Soviet aircraft, most of which do not meet western noise regulations.

Aeroflot is holding talks with several European airlines, including Lufthansa, Air France, Swissair and Austrian Airlines, to discuss the maintenance of the A310s. The creation of a heavy maintenance base in the Soviet Union would be uneconomical for such a small number of jets and might also be prevented by Cocom, the Paris-based organisation which monitors the export of sensitive technology to the eastern bloc.

In a separate move, a Soviet delegation is expected to visit GE Aircraft Engines in Ohio early this year to discuss the purchase of up to $100m worth of CF6-80C2 engines for Aeroflot. The delegation is also expected to visit Pratt and Whitney in Connecticut.

Even with its new A310s it remains to be seen whether Aeroflot will be able to win business from western airlines on routes to the Soviet Union in what is expected to be a rapidly expanding market. Aeroflot's standards of service have not, in the past, been noted for their excellence.

Aeroflot may also soon face competition from inside the Soviet Union. A group of Soviet pilots and engineers is planning to set up a rival and is understood to be negotiating with Boeing to purchase between three and five aircraft.

The Airbus deal is the largest purchase of western aircraft by an eastern European airline. Airbus has already sold three wide-bodied, long-haul A310-300 twin-jets to Interflug of East Germany. CSA, the Czechoslovak airline has two A310-300s on order, while Adria, the Yugoslavian airline, has ordered five A320s. Boeing has sold three 767s to Lot, the Polish airline.

Lebanese airline in jet talks, Page 5

UK Securities and Investments Board

Regulatory body denies it will take over extra DTI responsibilities

By Richard Waters in London

MR DAVID WALKER, chairman of the UK Securities and Investments Board, yesterday broke his silence over the future extent of the SIB's powers, strongly denying suggestions that the body was about to take over responsibilities from the Department of Trade and Industry.

In a carefully worded statement, Mr Walker said: "We made no proposals to the DTI and have no expectations of a transfer of powers to us."

He also reacted angrily to claims from some of the self-regulatory bodies which are answerable to the Securities and Investments Board that he has been bent on shifting power from them to the SIB, in the process undermining the practitioner-led regulatory system set up under the Financial Services Act.

It had been widely predicted that the Securities and Investments Board would take over some or all of the DTI's responsibility for investigating and prosecuting cases of insider dealing, regulating insurance companies, and carrying out general Companies Act investigations.

"None of those has been the subject of serious discussion between us and the DTI," said Mr Walker in an interview.

However, speculation about the extent of the SIB's powers – and the DTI's continued involvement in financial regulation – is likely to persist.

The SIB expects to move next year to 75,000 sq ft of new offices, even though it needs only 45,000 sq ft given its current regulatory activities.

Mr Walker said the remaining space would be sub-let and was being taken on in case of any future extension of SIB's powers, although he refused to comment further.

"There is no hidden agenda, there is nothing else to it," he said.

His statement broke a silence which the SIB had maintained on the matter since the beginning of December.

It was then that stories first circulated that the investment industry's chief regulatory body might be given greater powers.

Mr Walker also strongly denied that the SIB was seeking to encroach on the territory of the five self-regulatory organisations beneath the SIB.

Clearly irritated by sniping from the SROs, he said the SIB was committed to the current regulatory structure and to their place in it.

However, the SIB remains concerned that the SROs sometimes act more as trade associations than regulators, putting the interests of practitioners before those of investors.

Mr Walker said the SIB had last year considered building a stronger monitoring unit to enable it to keep a closer eye on the SROs.

It had decided instead to make it clear to the SROs what was expected of them and allow them a form of "self-certification" – although the SIB would also carry out spot checks to make sure the other regulators were doing their jobs properly.

Background, Page 8

Ford UK workers vote for pay deal

By Michael Smith and Michael Cassell in London

Manual workers at the Ford Motor Company in the UK yesterday voted to accept a two-year pay offer and to reject strike action. But the company faced further disruption to its production in spite of the 59 per cent majority vote.

More than 600 skilled workers at Halewood, Merseyside, the company's second largest plant, are meeting tomorrow to consider whether to maintain the strike which has halted production for more than a week and led to 8,000 lay-offs.

Union officials warned that skilled workers at other plants, including Enfield and Dunton in the south-east of England, may take action to protest against the offer.

The vote against an all-out indefinite strike at Ford was greeted with relief by government ministers and by managers at other companies.

They had been concerned about the possibility of a stoppage forcing Ford to increase its pay offer.

None the less, the deal, which provides for increases of at least 10.2 per cent in the first year, poses a considerable problem for the Thatcher Government which cites the resurgence of upward pressure on wage deals as a significant threat to its anti-inflation policy.

Ministers intend to portray the Ford settlement as a special case, which, if replicated at other, less profitable or productive groups, could hit jobs.

One minister said last night: "An agreement is good news, but wage settlements in double figures cannot be sustained across the board if we are to get on top of inflation."

Wage deals covering nearly a quarter of UK workers have settlement dates this month. Workers whose representatives will shortly enter pay negotiations include 130,000 in British Rail, 76,000 in electricity supply, 75,000 in British Gas and 750,000 in local government.

Mr Gavin Laird, general secretary of the AEU engineering union, said: "Double figures were always our target (at Ford). This now sets the benchmark for all workers."

In the ballot among 31,800 workers, 15,660 voted for acceptance and 10,960 against, with the votes of electricians still to be counted.

Workers at 18 plants, including Dagenham and Halewood, which are among the most militant, voted for the deal but a majority at three plants – Bridgend, Swansea and Leamington Spa – were against.

Union leaders, who had recommended rejection of the deal, yesterday advised members to adhere to the majority decision, but it seemed likely that there would be strong resistance among skilled workers, including electricians and maintenance staff.

For most workers, the agreement will lead to rises of at least 18.2 per cent over the two-year deal, 10.2 from last November and 8 per cent or inflation plus 2.5 percentage points from next November.

US call for boat people moratorium halts accord

By William Dullforce in Geneva

US insistence that the enforced repatriation of Vietnamese boat people from Hong Kong be halted until the end of the year yesterday prevented an international agreement on the fate of tens of thousands of refugees held in overcrowded detention centres in the British colony.

Britain had been willing to accept a compromise of a moratorium on forcible repatriation until July 1, said Mr Robin McClaren, Assistant Undersecretary at the Foreign Office. All but two countries on the 29-nation steering committee for Indo-Chinese refugees had agreed to a six-month delay.

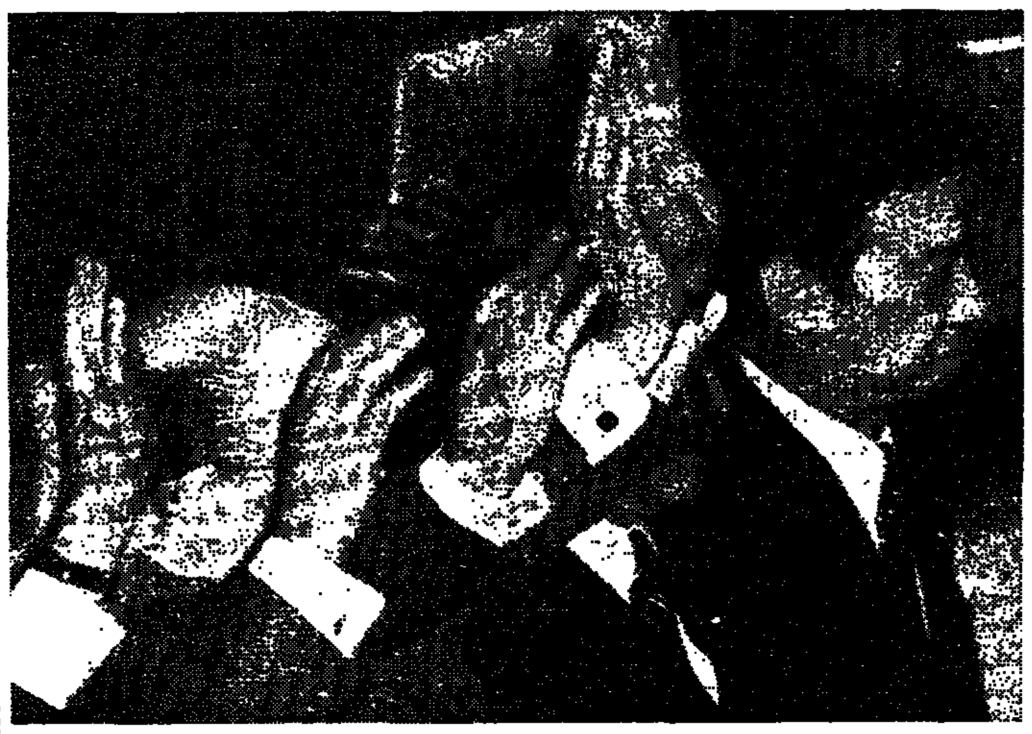
The US delegation had received instructions from Washington to hold out for a one-year halt and Vietnam had wanted no forced returns before October 1.

Mr McClaren said the committee had been "very, very near" to an agreement which would have made mandatory repatriation for those boat people rejected as refugees part of the plan of action agreed in Geneva last June.

The agreement would have included safeguards for the returnees and have provided for monitoring of their well-being by the UN after their return.

Britain caused widespread international protests when it forcibly repatriated 51 Vietnamese from Hong Kong last month. Resumption of enforced returns was now a decision for the UK government, Mr McClaren said, but he recalled that the UK has a bilateral agreement with Vietnam providing for such repatriation.

The UK had secured acceptance in principle of mandatory repatriation, Mr McClaren said. The setback was over the date on which it should resume.



Naming the day: Japanese Prime Minister Toshiki Kaifu (right) looks grim as parliament is dissolved. Elections were set for February 18. Bitter battle expected, Page 4

European groups to join NBC in high-definition TV venture

By William Dawkins in Paris

NATIONAL Broadcasting Corporation (NBC) of the US will today unveil a co-operation accord with two leading European electronics companies to develop an American high definition television (HDTV) system.

The deal, with North American Philips Corp, a subsidiary of the Dutch consumer electronics multinational, and Thomson Consumer Electronics of France, owner of RCA, brings together companies controlling 33 per cent of the US television market. Within that portion, French state-controlled Thomson, the world's largest maker of televisions, holds 22 per cent.

The deal could increase European influence in the two-year-old technology battle for a US HDTV standard.

It is understood that the three companies will develop a standard known as ACTV, which is already jointly supported by NBC and RCA in a project at the David Sarnoff Research Institute.

They will work on two versions: an interim system, which gives enhanced picture and sound on new sets using existing broadcasting standards; and a full HDTV version, giving even better quality but designed to work with the transmission standards of the future.

The accord marks a decisive step in the scramble for a US HDTV standard triggered in September 1988 when the Federal Communications Commission (FCC) announced that it would decide on a new transmission system by 1991.

It stipulated that the new system must be compatible with the existing North American standard. This effectively ruled out the rival Japanese HDTV system, which would oblige viewers to buy new sets, rather than allow them to continue receiving old quality pictures on existing sets.

European producers, meanwhile, have been promoting their own, compatible standard, being developed under the pan-European Eureka project with Thomson, Philips, Bosch of Germany and Nokia of Finland.

Since the FCC announcement in 1988, more than 20 rival HDTV systems have come under development for the US market, all designed to be compatible with the existing standard.

THE LEX COLUMN

The London Market's foreign bondage

It is not every day that the London market recovers 30 points in response to a 50-point plunge on Wall Street. Granted, Wall Street's weakness was foreseeable after the sticky US bond auction the previous day and the consequent weakness in Tokyo. But it looks as if yesterday's low point of 2,250 on the FT-SE was finally bringing out buyers. A drop of over 200 points from the peak is, after all, a sizeable correction. For those who still believe in earlier projections of 2,600 by the year end, 2,250 offers the same return as cash with a 4.5 per cent dividend yield on top.

But in the longer run, London cannot make headway as long as sentiment remains so awful in the international bond markets. In both the US and Japan, monetary policy still seems dominated by fear of inflation. Perhaps the best hope for bonds is that this should continue; the threat of higher US interest rates may not help sentiment, but any impression of premature easing by the Fed could be worse again. Nor can US bonds make much headway without help from Tokyo, since the yield differential between the two markets is already as narrow as it has been for a decade.

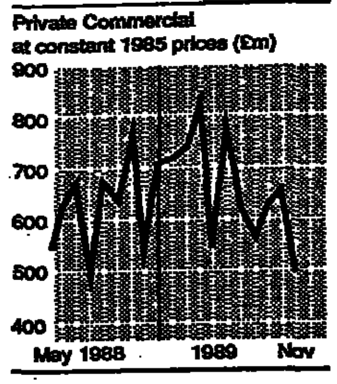
The general mood of nervousness will not have been helped by yesterday's sharp jump in the gold price. Some people take the price of gold very seriously: many ignore it: and then there are the chartists. For the latter at least, yesterday's $10 move was important. But it is hard to decide whether the gold price is sending out any deeper message. Its use as an advance inflationary indicator does not sit easily with the recent behaviour of oil prices, nor is the tightening in monetary conditions around the world exactly bullish for gold. Aside from the usual arguments from political uncertainty, the gold price may just be reflecting the fact that the dollar is weaker than its recent movements suggest. If so, yesterday's move was overdue.

Ferranti

Yesterday's mere 2½p rise in Ferranti's share price to 35½p owed less to reasoned assessment than to simple perplexity. On one view, the company's heart has been torn out. But as Ferranti irritably points out, radar proper accounted for only £50m of its turnover. It might be asked how a company which previously argued the need for a partner to meet development costs can prosper alone as a smaller entity. But though more than half the R & D burden remains, most of the big single projects have gone with the avionics business.

Contractors orders

Private Commercial
at constant 1985 prices (£m)



The sanguine view is that the company can make profits next year of £20m on computers, £10m on weapons and aircraft and £10m on the rest after losses on Zonephone and energy management. The resulting 4p or so of earnings remains stubbornly hard to value on grounds of diversity. But the net asset value of close to 50p per share should provide some underpinning, even if a full bid is harder to envisage than ever. As for the lawsuit against Peat Marwick, no financial benefits can be expected in the foreseeable future. But in these recessionary times, anything which brings auditors to a more lively sense of their responsibilities can only be welcome.

Unit trusts

The unit trust industry can feel moderately proud of its performance last year. A 39 per cent jump in the value of funds under management, to £58.2bn, outpaced the overall growth in the market. The net inflow of £3.9bn was more than double last year's depressed total. While it is still a third less than the 1986/87 peak, there are signs that the industry is once again beginning to take business away from its biggest competitors, the building societies. In the last two months of 1989, net investment in unit trusts was 2½ times as large as the building societies' net receipts.

However, the unit trust industry is still not fulfilling its ambition of attracting large numbers of new small investors into the equity market. The bulk of its new funds still comesfrom insurance-related products; recent tax changes mean that as much as £10bn could soon be switched out of the industry. Meanwhile, even if the figures are understated, the growth in new investors remains pitifully small. Indeed, the number of unitholder accounts has fallen for two years running, even though the number of trusts has risen by more than a fifth to 1379.

Such a plethora of unit trusts may be good news for the managers and the commission merchants, who account for two thirds of unit trust sales these days. But it is far too many for the small investor. If investment trusts are going to be allowed to compete more aggressively with the unit trusts - and there is no good reason why they should not – then the small investor will be better served.

Gestetner

Is it true, as efficient market theory says, that odd quirks of accounting practice never really mislead the stock market? The problem is neatly posed by the strange case of Gestetner, the office equipment distributor, and its 13 per cent Australian shareholder AFP.

Gestetner's shares have badly underperformed since early July and the historic p/e ratio is far adrift of the market. But yesterday's full-year figures showed strong organic sales and profits growth, with no nasty surprises bar dismal results from the US. Since taking management control in 1986, AFP has delivered strong dividend growth. So might one reason for the surprisingly low p/e be the fact that AFP has a tranche of 7 per cent unsecured loan stock, convertible into 68m Gestetner shares, which would give it 55 per cent control?

One school of thought says that the threatened dilution has undermined the share price. Investors are bothered that reported eps fall more than 26 per cent, counting in all 68m extra shares. If so, the argument runs, investors have failed to see that before the loan stock can convert AFP has to fork out £43m to make them fully-paid. Since Gestetner should be able to make a 13 per cent post-tax return on that money, there may be no dilution at all. But this assumes that investors are basically dim and stock markets highly inefficient. Gestetner looks like the stuff of a good business school seminar.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	C	14	57	Malta	C	14	57	Rhodes	S	13	55
Algiers	F	18	61	Edinburgh	T	0	32	Manchester	F	4	39	Rio de J'o		33	101
Amsterdam	S	6	43	Faro	C	16	61	Manila	F	31	88	Rome	S	14	57
Athens		–	–	Florence	C	8	46	Melbourne	S	35	95	Salzburg	C	6	43
Bahrain	F	19	66	Frankfurt	F	8	46	Mexico City	F	23	73	San Francisco	S	6	43
Bangkok	F	33	91	Funchal	C	18	64	Miami	F	21	70	Seoul	S	-11	12
Barcelona	S	14	57	Geneva	R	9	48	Milan	C	3	37	Singapore		–	–
Beirut		–	–	Gibraltar	S	17	63	Montreal	Sn	0	32	Stockholm	C	3	37
Belfast	Sn	1	34	Glasgow	Sl	1	34	Moscow	C	-5	23	Strasbourg	C	8	46
Belgrade	S	16	61	Guernsey	F	9	48	Munich	R	7	45	Sydney	S	25	77
Berlin	C	7	45	Helsinki	R	2	36	Nairobi	F	25	77	Taipei	R	19	66
Biarritz	C	12	54	H. Kong	S	15	59	Naples	F	15	59	Tangier	C	13	55
Bombay	S	32	90	Innsbruck	C	7	45	Nassau				Tel Aviv	S	12	54
Bordeaux	C	14	57	Inverness	F	1	34	New Delhi	S	24	75	Tenerife		–	–
Brussels	F	7	45	Islamabad	F	21	70	New York	C	7	45	Tokyo	F	8	46
Budapest	F	7	45	Istanbul	S	6	43	Nice	S	16	61	Toronto	C	6	43
B. Aires	F	33	91	Jakarta		–	–	Nicosia	S	13	55	Tunis	C	13	55
Cairo	S	16	61	Jersey	F	8	46	Oporto	C	14	57	Valencia	S	17	63
Cape Town	S	23	73	Jo'burg	F	25	77	Oslo	S	1	34	Venice	C	5	41
Caracas	R	26	79	Lima		–	–	Paris	R	8	46	Vienna	C	2	36
Casablanca	S	16	61	Lisbon	C	15	59	Peking	S	-6	21	Warsaw	H	7	45
Chicago	S	2	36	London	S	9	48	Prague	F	8	46	Washington	C	8	46
Cologne	C	7	45	Los Angeles	S	10	50	Reykjavik	C	2	36	Zurich	F	9	48
Copenhagen	R	1	34	Luxembourg	C	6	43								
Corfu		–	–	Madrid	Fg	5	41								
Dallas	S	13	55	Majorca	S	16	61								
Dublin	S	3	37	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Soviets arrest top nationalist leaders

Continued from Page 1

media.

There was little immediate reaction in Moscow, except a staunch defence of the position of Mr Mikhail Gorbachev, the Soviet leader, by his Government's Foreign Ministry spokesman, Mr Gennady Gerasimov.

However, the Soviet Government is showing extreme sensitivity to the international reaction to events in Azerbaijan, both from the west and from its immediate neighbours in the region, Iran and Turkey.

Shares, bonds fall sharply

Continued from Page 1

markets. He described the recent sharp falls as a process correcting steep upsurges in the past.

In London, stock and government bond prices rallied at the end of a day which was dominated by fears of how Wall Street would react to Tokyo's falls. The FT-SE 100 Share index at one stage fell more than 40 points and long-term interest rates hit 11 per cent.

By the end of trading, the FT-SE index was down 12.5 at 2278.6 - or some 7.5 per cent down on its record reached earlier this month. Long-term interest rates were 10.89 per cent.

At the New York opening yesterday the Dow Jones Industrial Average plunged 60 points and recovered only modestly by mid-session to 2,573.65, down 41.66.

The stock market has suffered from anaemic corporate earnings announcements, fears that the US Federal Reserve will not ease monetary policy and concern about the exposure of some companies to the ailing junk bond market.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday January 25 1990

INSIDE

Danger of too much self-confidence

Among the smaller investors who stand to lose money from the collapse of Dominion International, the financial services and property group which has been forced to seek protection from its creditors, is the company's own pension fund. The fund owns 50,000 shares in Dominion. Like other shareholders, it is unlikely to recover any money, according to Dominion's court-appointed administrators. The fund was advised to sell half its stake in Dominion in 1988 and re-invest in ICI or BAT Industries. However, Mr Max Lewinsohn (above), then Dominion's chairman, overruled the advice: "Yes, but I'm not keen on ICI or BAT" was his verdict. Page 22

Fighting the Singapore Clob

The Kuala Lumpur Stock Exchange is finding that government orders do not always have the desired effect. On January 2, the Malaysian Government ended the listing of 138 Malaysian companies on the Singapore Stock Exchange to try to build up its own newly-independent exchange. But the stocks have continued to trade in Singapore's secondary market through Clob, the Central Limit Order Book, in almost as much volume as in KL earlier this month. Page 38

Plug into the sink scene

Believe it or not, excitement has broken out in the sink industry — and at the heart of the fun is a small company in Falkirk called Carron Phoenix, which claims to be the UK's largest kitchen sink maker. Three continental European companies have declared an interest in the company in the last few weeks. The reason? It is cheap at the moment as the domestic products market struggles with reduced customer spending and high interest rates, and it offers entry into the UK sink market, if that is your wont. Page 23

Bank of East Asia lifts spirits

When confidence is low in Hong Kong, a good start to the annual results season in the shape of a 19 per cent increase in after-tax profits at Bank of East Asia is a welcome fillip. And real profit growth is thought to be at least as good as last year's 25 per cent rise. East Asia does not disclose how much it transfers to inner reserves — and this is thought to be more than usual in the wake of events in China. Page 19

Ploughmen's lunch

Mr John Gummer, Agriculture Minister (left), has taken to carrying his own lunchbox when he goes to farmers' dinners. Not that he distrusts the food on offer — he uses the red plastic box to berate the diners for the lack of British packed lunch material available to fill it. But, he explained yesterday to Bridget Bloom, that doesn't mean he's a chauvinist. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Falls			
BMW	517.5	–	13.5
DLW	711	–	7
Hoesch	301	–	10
PWA	323	–	7
Preussag	365	–	10
Volkswagen	523	–	19

NEW YORK ($)

Rises			
Brazil Fund	13⅝	+	1⅛
Cray Research	41¼	+	2
Newmont Gold	54	+	⅞
Falls			
Calumet Inds.	1½	–	1
IBM	95⅝	–	1⅝
F.W. Woolworth	58⅝	–	1½

New York prices as at 12.30pm.

PARIS (FFr)

Falls			
Afrique Occiden	676	–	26
Beghin-Say	737	–	18
CGIP	1380	–	25
CGE	517	–	6
Industrielle	6100	–	340
UFB	421	–	14

TOKYO (Yen)

Rises			
Gajoen Kanko	1630	+	210
Hayashikane	1040	+	94
Kaiyo	5300	+	500
Falls			
Daito Wool	1370	–	130
Kyoei Tanker	1450	–	250
OSG MFG.	1500	–	130

LONDON (Pence)

Rises			
Comm. Union	500	+	14
Cookson	265	+	4
Crystalate	75	+	7
Gen. Accident	1130	+	21
GRE	244	+	14
Leg. & Gen.	391	+	11
Midland Bank	379	+	7
Refuge	678	+	13
Rolls Royce	179	+	2
Royal Ins.	532	+	21
Sun Life	1305	+	10
Falls			
Allied Irish	269	–	10
BAT Inds.	790	–	14
Coloroll	21	–	5
Gestetner	239	–	5
Hawker Sidd.	687	–	13
Rank Org.	845	–	10
Sedland	548	–	7
Wassall	192	–	17

Sharp earnings recovery at Porsche

By Andrew Fisher in Frankfurt

PORSCHE is on the way to higher sales and profits this financial year and is hiring new workers after a sharp earnings recovery in 1988-89, Mr Heinz Branitzki, chief executive of the West German luxury car company, said yesterday.

Net profits more than doubled to DM54m ($32m) in the year to July 31 1989 from DM25m the previous year. Earnings per share moved from DM15 to DM38.

The steep profits climb was a contrast to the halving of earnings the previous year from the DM52m achieved in 1986-87. Then, Porsche was striving to reduce its dependence on the tough, volatile US market. Now this accounts for only 35 per cent of sales against 65 per cent three years ago.

As well as reducing labour and costs, it brought out new models to restore its image of exclusivity.

The earnings improvement was in line with analysts' expectations and prompted the company to increase its dividend by DM1 after a cut of DM5 two years ago. Thus holders of the quoted preference shares will receive DM12, while the payment on the voting stock – owned by the controlling Porsche and Piëch families – will be DM11.

Commenting on bid rumours, Mr Branitzki said that the family shareholders, with whom he had spoken this week, had no intention of selling any voting shares. Drawing a comparison with Jaguar, the UK car company bought by Ford Motor of the US, he noted that Porsche – the last independent sports car maker – had liquid assets of over DM500m and could fund new model development.

He said turnover this year should rise to around DM3bn, 20 per cent more than the DM2.53bn of last year, which in turn was up by only 2 per cent on 1987-88 as Porsche held output back to ensure quality standards on its new models. Output, down in 1988-89 by 7 per cent to 29,000 cars, would again exceed 30,000.

He said that this year's profits would advance by at least the same rate as turnover. Earnings would be high enough to guarantee at least maintaining the higher dividend.

For its latest models, delivery times exceed nine months. This was too long, said Mr Branitzki, so production at the Stuttgart plant would be raised further. Having trimmed its workforce by around 500 to 8,000 since mid-1987, Porsche was adding around 600 people this year.

Mr Branitzki also said that Porsche's development work for outside customers in the car industry had risen sharply. Revenues in this sector had increased by 50 per cent last year to some DM150m – not all of this yet reflected in the accounts – and would rise further in 1989-90 to DM200m.

To cope with this increasing development workload, the company had entered into a joint venture with an independent US firm in Detroit called Delta Engineering. "We want to build up this area," he said.

As for Porsche's new shareholder, Mr Per Arwidsson, a Swedish industrialist who said this month that he had bought a preference share stake of under 10 per cent, Mr Branitzki said any investor with the company's interests at heart was welcomed.

Mr Branitzki, 61, steps down in March to make way for Mr Arno Bohn, 42, a former director of Nixdorf Computer.

British Steel mulls German purchase

By David Goodhart in Bonn and Nick Garnett in London

BRITISH Steel is continuing its attempt to break into the West German steel market. It confirmed yesterday that it is talking to Klöckner-Werke, West Germany's sixth biggest steelmaker, about the possible purchase of its Klöckner-Mannstaedt division in Troisdorf.

This week Hoesch, the Dortmund-based steel and engineering group, denied reports that a takeover by, or cross-shareholding with, British Steel was being discussed. However, some form of joint venture has not been ruled out.

Last year British Steel showed interest in buying the trading company Klöckner & Co, which holds 40 per cent of Klöckner-Werke, but Klöckner & Co was eventually sold to the energy and metals group Viag.

Mr Herbert Gienow, chief executive of Klöckner-Werke, was strongly opposed to accepting British Steel as a major shareholder.

The steel works now under discussion has an annual output of approximately DM400m ($235m) and employs about 1,600 people. It produces special sections and hollow sections, and is equipped with two hot section rolling mills and and one non-reversing mill for producing a wide variety of shaped sections.

It has a six-stand medium section mill with an annual capacity of 200,000 tonnes, and a nine-stand light section mill with a capacity of 100,000 tonnes. The plant incorporates strip-forming lines for cold roll-formed and hollow sections, a cold drawing plant for hot-rolled special sections and a fabrication plant.

The fabrication operations are geared to the production of wheel rims, elevator guide rails, turntables and components for the automotive industry.

British Steel said yesterday: "From time to time British Steel enters into discussions with potential vendors with regard to business opportunities which may arise in the European Community, and where such opportunities are in line with its objectives."

Last year, Deutsche Bank, then controlling Klöckner & Co, approached British Steel to see whether the UK company was interested in acquiring a stake in the German business. Nothing came of those talks, and Klöckner & Co was eventually sold to Viag.

Sir Robert Scholey, chairman of British Steel, has been anxious to forge business links with the West German steel industry. British Steel is one of the world's most profitable steelmakers, but has only two per cent of the continental European market.

Scholey: keen on links

De Beers' grip may just not be forever

Kenneth Gooding looks at mounting pressures facing the diamond group's Central Selling Organisation

Could this be the year in which De Beers, part of Mr Harry Oppenheimer's South African industrial empire, is forced to loosen the tight grip it has on the world's diamond trade?

Although De Beers' own mining operations in southern Africa account for less than 30 per cent of world diamond production, its Central Selling Organisation, in London, controls at least 80 per cent of world sales of rough (uncut) stones.

Apart from its own output, it markets diamonds from Australia, Botswana, Namibia, Tanzania, Zaire and the Soviet Union. No other cartel in modern times can match the CSO's record. While other commodities and metals wildly fluctuate in price, in response to economic conditions, prices of rough diamonds, with few exceptions, have moved upwards every year since the 1930s Depression.

All the producers say that the CSO, which takes most of the financial risk in exchange for much of the profit, is doing a great job. But there are signs that some producers would like a bigger slice of the profits cake and this could have ominous implications for De Beers' bottom line.

That is particularly important this year because in 1990:

● The CSO must re-negotiate its contract with Botswana, by far the most important diamond producer in value terms. Analysts estimate Botswana accounts for about half the value of De Beers' total diamond sales and more than half of its profits.

Some Botswana parliamentarians have been pressing for the country to have the right to sell a proportion of its own diamond production – 20 per cent is frequently suggested – outside the CSO arrangements.

Mr Archie Mogwe, Minister of Mineral Resources, told Parliament in November: "We shall be giving the matter serious consideration as the present sales contract with the CSO nears its end."

● The CSO must also negotiate a new contract with Argyle Diamonds, the Western Australian company which is the biggest individual diamond producer in volume (but only sixth in value) terms.Mr David Karpin, Argyle's managing director, promises he will "drive a hard bargain" when negotiations start.

● Angola, which quit the diamond cartel in 1985, said last summer it would rejoin and begin selling some stones through the CSO from early-1990. In return De Beers would help Angola increase diamond output. The deadline has proved to be hopelessly optimistic. Worse still, from De Beers viewpoint, the Soviet Union has elbowed its way in and is competing to offer Angola technical assistance.

● In Namibia the new government is expected to press for a substantial minority shareholding in CDM, De Beers' wholly-owned diamond mining subsidiary there. Analysts suggest De Beers will have to give up at least a 20 per cent.

● Arrangements between the CSO and the Soviet Union are indirect, but used to be based on five-year contracts. Now contracts are renewed annually and diamond traders suggest that last year the Soviets insisted on keeping out of the CSO deal about 10 per cent of the uncut stones they send to the west. Also, in the words of one observer, "Russian producers really squeezed the CSO profit to just a few percentage points."

All this pressure is building up at a time when growth in the diamond market has come to an abrupt halt. After soaring by 20 per cent in 1987 and another 37 per cent in 1988, the CSO's sales slipped back by 2 per cent last year to US$4.086bn.

The slow-down was partly caused by substantial CSO price increases, 13.5 in May 1988 and 15.5 per cent in March last year, and an unexpectly strong US dollar.

Mr Michael Grantham, the CSO director in charge of market liaison, suggests that 1990 will be "another year of consolidation" and that sales are likely to be about the same as in 1989. However, many analysts are predicting a 5 per cent drop in CSO sales this year. Meanwhile, Mr Tim Capon, a director and executive board member who is heavily involved in the CSO's contract negotiations, admits that 1990 is shaping up to be "an interesting year." But he dismisses any suggestion that there is despondency or even panic within the CSO.

Mr Capon points out that the CSO regularly has to re-negotiate contracts – at the rate of one or two a year.

"We have always had the ability to persuade producers we don't control to continue relations with us," he points out.

Dealing with specific points, Mr Capon says:

● The relationship between the CSO and Botswana is stronger than ever, particularly since 1987 when De Beers bought Botswana's diamond stockpile for about $250m and a 5.27 per cent shareholding in the South African company. He says he interprets Minister Mogwe's remarks about the possible marketing of diamonds outside the CSO as "not going significantly beyond saying that all aspects will be given due weight during the negotiations."

Any suggestion that Botswana might retain 20 per cent of its diamonds to market on its own behalf "is not appropriate in the context of our contract with Botswana."

● Mr Capon says there is no sign that Argyle Diamonds wants to move away from the CSO, an opinion shared by Argyle's Mr Karpin who says: "It would not be in the interests of either company if there was not an association between Argyle and the CSO."

● While he will say nothing about the relationship with the Soviet Union – because the CSO has no direct contract with that country – Mr Capon admits that negotiations with Angola are taking much longer than predicted.

He suggests that speculation within the industry about potential difficulties for the CSO are a normal part of the process when contracts come up for renegotiation, particularly those as important as the one with Botswana.

He says, "Some diamond dealers around the world would love to get their hands on some of Botswana's supplies. It serves their purpose to stir things up." The ideal from their point of view would be for the CSO to give up 20 per cent but still continue to control the diamond market. "That way they get a free ride on the back of the CSO's efforts."

Harry Oppenheimer: De Beers may have to loosen grip

Gestetner lifts year's profits above £36m

By John Thornhill in London

GESTETNER HOLDINGS, the office equipment and photocopier distributor, lifted pre-tax profits by 26 per cent in the year to October 31, recording an outcome of £36.2m ($22m) against £28.8m last time round.

Mr Basil Sellers, chairman, said the main source of the profit increase came from sales growth as turnover had advanced by 33 per cent to £530.1m (£397.2m) during the period

Gestetner's office products division provided 19 per cent of the increase in sales and Hanimex, the Australian photographic equipment business acquired in August 1989, accounted for the other 14 per cent.

Hanimex made a three-month contribution to the results adding £75m to sales and £7m to operating profits.

Gestetner reported strong growth in the UK and other European Community countries, but experienced tough trading conditions in distributing facsimile machines in the US and encountered difficulties in Norway and Sweden.

Mr Sellers said Gestetner's strategy was to enhance its distribution capability and move further downstream.

Fully diluted earnings per share (excluding the convertible loan stock held by AFP Investment Corporation, the Australian group which took management control in November 1986) grew 14 per cent from 27.1p to 31p. The final dividend was raised to 6p, bringing the recommended annual payment to 7.5p, an increase of 36 per cent.

In a falling market, Gestetner's shares shed 5p to 239p.

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Move over, Charlie Brown, and make room for sushi

By Alan Friedman in New York

ANOTHER SET of American cultural institutions, including New York's famous Mamma Leone's restaurant and the Charlie Brown chain, is to be transferred to Japanese ownership in a $105m deal by which Kyotaru, a food service company, will buy 85 per cent of Restaurant Associates Industries (RAI).

Kyotaru will pay around $16m for RAI's equity and take on $89m of debts. The deal represents the first big Japanese investment in the US restaurant industry.

RAI, with $240m in annual revenue, employs 7,000 people at 120 restaurants with 40,000 seats.

Among the restaurants being acquired are the Brasserie at New York's Pan Am building, the California-based Acapulco chain of Mexican restaurants, and the Charlie Brown chain of suburban shopping mall beef-and-seafood eateries.

The deal also includes the food concessions at the United Nations, the Lincoln Center, the Metropolitan Museum of Art in New York and the John F. Kennedy Center for Performing Arts in Washington.

Kyotaru will also control the dining operations at The Washington Post, Chemical Bank and the Ford Foundation.

Given the alarm in some US business and political circles over a "Japanese invasion," the restaurant deal may raise as many hackles as last year's purchase by Mitsubishi of the Rockefeller Center or Sony's acquisition of Columbia Pictures in Hollywood.

Mr Max Pine, president of Restaurant Associates, who plans to stay on under the new ownership, said he was not worried about the controversy over Japanese purchases in the US.

"We look at it more pragmatically. We say that if it is good for the American company then it is good for America," he said.

Speaking from his flagship Mamma Leone restaurant near Times Square, New York, the 55-year-old said he was certain that Kyotaru, which runs a prominent chain of sushi bars and restaurants in Japan with $500m worth of annual sales, would "ensure our independent identity here in the US."

Mr Hiroshi Tanaka, chairman of Kyotaru, is to take over as chairman of RAI.

In March 1988, managers of Restaurant Associates bought out the company, which was previously listed on the American Stock Exchange.

INTERNATIONAL COMPANIES AND FINANCE

Europolis in negotiations for first two acquisitions

By Paul Cheeseright, Property Correspondent

EUROPOLIS INVEST, the multinational property investment company set up by institutions from nine countries, is in negotiations to purchase its first two properties in continental Europe.

The company has the ability, from original subscriptions of equity and bank borrowing, to spend up to about £700m ($1.15bn) throughout Europe, said Mr Teruo Kato, senior manager in London of Nippon Credit Bank, which has a 10 per cent stake in Europolis. But, he said: "this is an equity play rather than lending."

Europolis, which has its headquarters in Paris, has an initial capital of FFr1bn ($173.6m). It plans to raise a further FFr1bn by setting up subsidiaries in seven European countries. The first will be in Austria, Belgium, France and Spain. Subsidiaries in West Germany, Italy and the UK will follow later. So far no UK institution has become an equity partner in Europolis.

The moves to create a multinational vehicle for property investment, by mingling equity stakes from European, Japanese and US institutions, mark a further step towards the internationalisation of the property market.

So far most property investment across national borders has been bilateral, most notably in recent years, Japanese investment in Australia, Hong Kong, the UK and US, or Dutch, German and UK investment in the US.

Europolis is interested in short and medium-term capital gain, although Mr Kato said no targets for expected returns had been stated. It plans to invest both in existing properties and in developments, depending on the state of individual markets.

Investment decisions will be made by the national subsidiaries, each led by one of the original investors in the holding company, within the framework of a policy laid down by the holding company.

The first investments, one in France and the other in an unspecified country of continental Europe will be made by the summer.

Cré dit National of France is the largest shareholder in Europolis with 15 per cent. Other French shareholders are Crédit Local de France, Crédit Foncier de France, Le Groupement Foncier Français and Auguste Thouard.

Equitable Real Estate Investment Management of the US, Société Nationale de Crédit à l'Industrie of Belgium, NMB Bank Group of the Netherlands and Banco Hypotecario of Spain as well as Nippon Credit Bank all have 10 per cent.

UK Sears to close 200 shoe shops

By Maggie Urry in London

SEARS, the largest shoe retailer in the UK, is to restructure its British Shoe Corporation footwear operations in the face of difficult trading conditions, and changing patterns in the market.

The plan involves closing 200 shops and opening 70 new ones, and cutting head office staff by 80. Up to 1,000 jobs will be affected, although many people will be redeployed within the group. Investment of £40m ($65.6m) is to be made in the footwear business.

The group said profits from selling the closed shops would more than cover redundancy and other costs involved.

Sears' footwear retailing division, which includes chains in the Netherlands and the Republic of Ireland, contributed trading profits of £106.5m to group trading profits of £257.7m in the year to January 1989. Half-year figures in October showed footwear retailing profits down from £41.3m to £31.6m.

Japanese electronics group enters Europe

By Andrew Hill in London

HOSIDEN ELECTRONICS, a Japanese electronic components company, is to set up its first production base in Europe by acquiring most of the loss-making telecommunications division of Crystalate Holdings of the UK.

Hosiden has been looking for a European manufacturing base for two years. It already has a sales office in West Germany, one of its principal export markets, and had originally intended to build a new factory in Europe.

The Crystalate acquisition will give the Japanese group established manufacturing facilities in Hove on the south coast of England and on the Isle of Wight.

Hosiden, which is quoted on the Tokyo Stock Exchange, will pay an initial £5m ($8.3m) for AP Besson and Osborne Electronics, plus a further £600,000 in May, depending on the value of the company's assets. Separately, Crystalate may receive up to £400,000 from the Japanese buyer relating to consignment stock within the division.

Besson makes telephone components, while Osborne, working from the Isle of Wight, assembles general telecommunications equipment. Hosiden will gradually add its own products to the UK company's range.

Crystalate, which makes electronic components, has been trying to sell its telecommunications operations since last year in an attempt to reduce group borrowings. In December the UK company announced a 49 per cent drop in 1988-89 profits to £2.91m before tax. News of yesterday's deal pushed up the Crystalate share price by 7p to 75p.

Crystalate said yesterday that it hoped to have a buyer within the next few months for its smaller French subsidiary, CGCIE, which refurbishes military telecommunications equipment. A fourth telecommunications subsidiary, Ebonestos, has not been sold.

Improved margins boost Cap Gemini

By George Graham in Paris

CAP GEMINI SOGETI, the leading French computer services company, has reported a 30 per cent increase in net profits to FFr525m ($91.6m) last year.

The company said sales had risen 21 per cent to FFr7.04bn, and its net profit margin had improved to 7.4 per cent, the best margin it has achieved.

Cap Gemini forecast another 21 per cent increase in sales this year to around FFr8.5bn, with profitability returning to around 7 per cent, similar to the margins of previous years. This would imply 1990 net earnings of around FFr595m, an advance of around 13 per cent on last year.

Cap Gemini made no large acquisitions last year, but added a number of small US and European computer services companies to its portfolio. Last week the group launched a FFr1.5bn convertible bond offering and is regarded as a potential buyer for some of the leading consultancy companies now on the market.

Mr Serge Kampf, Cap Gemini's founder and controlling shareholder, has also created a new three-tier corporate holding structure which will enable the group to raise more funds in the capital markets without shaking his control.

Global focus for Wertheim Schroder

By David Lascelles

WERTHEIM SCHRODER, the Wall Street investment banking operation which is 50 per cent owned by Schroders, the London merchant bank, is to work more closely on a global corporate finance strategy.

Mr Adam Broadbent, head of J. Henry Schroder Wagg's investment banking operations in London, will move to New York to become a managing director of Wertheim Schroder with responsibility for corporate finance. The move is at the invitation of Wertheim.

Mr David Challen will up take Mr Broadbent's post in London.

Christiania Bank reveals sweeping reorganisation

By Karen Fossli in Oslo

CHRISTIANIA BANK (CB), one of Norway's top three banks, yesterday announced sweeping organisational changes which push sideways four of the bank's top executives while elevating three others.

The new structure comprises three new units, which Christiania insists are separate banks, including retail and commercial, capital markets and international. There are no less than 16 vice presidents at the top, where previously there were nine.

Mr Sverre Rostoft, formerly head of Christiania's domestic branches who is to become president and chief executive from July 1 said: "The three banks will have their own separate functions: CB retail and commercial will be responsible for distribution in the retail market, whereas CB International will be responsible for the group's wholesale customers within our clearly defined international niches and distribution network.

"CB capital markets will be responsible for the group's other corporate clients and foreign exchange and securities trading."

Mr Rostoft said that "the main purpose of the reorganisation is to strengthen the matrix organisation to achieve a stronger focus on distribution and costs."

The changes were also explained as reorganisation according to niches and product segments, and away from a geographical focus.

The new CB resembles a holding structure making it easier to add insurance services, which CB has been considering, at a later date.

Mr John Lange Paulsen, president of CB retail and commercial is supported by five vice presidents; Mr Jarl Whist, president of CB capital markets, is supported by three vice presidents and Mr Magne Haga, president of CB international has four.

In addition, seven other staff functions, executive and non-executive, are now to report directly to Mr Rostoft together with the three new presidents.

Norway's saving banks recover

By Karen Fossli

NORWAY'S TOP 30 savings banks bounced back into the black in 1989 in spite of higher losses on loans and guarantees, after sliding into loss in 1988, according to figures released yesterday by the Norwegian Savings Banks Association.

The 30 banks, which comprise about 75 per cent of the sector's total assets, nearly doubled their combined operating profit to NKr5.2bn ($791.5m), before losses on loans and guarantees, against NKr2.97bn in 1988.

Losses on loans and guarantees increased to NKr4.4bn from NKr3.33bn reflecting Norway's deteriorating economic conditions which have spurred continued increases in the number of commercial and private bankruptcies, particularly in the fishing sector.

Operating profits after loan losses soared to NKr800m, or 0.32 per cent of total assets, from an operating loss of NKr364m, or 0.15 per cent of total assets, in 1989.

The association attributed the improvement to an increase in net interest income which is estimated at NKr10.6bn for the year, and capital gains from shares and bonds which increased to NKr850m from NKr314m.

The Association suggested that operating profits would have reached NKr1.6bn, had it left out figures for Sparebanken Nord Norge, a troubled medium-sized savings bank which has about 75 per cent of the banking business in northern Norway. Last October a NKr1.5bn rescue package was assembled to save the bank from insolvency. This followed a NKr600m emergency cash injection in the previous month.

First 'green' flotation in W Germany

By Katharine Campbell in Frankfurt

BERZELIUS Umwelt Service (BUS), the "green" Metallgesellschaft subsidiary, will raise a total of DM216.9m ($127.8m) in the flotation of a minority stake of the parent's holding, thereby becoming the first publicly listed company on the West German stock exchange entirely devoted to environmental activities.

The issue, brought by a consortium led by Dresdner Bank, and including Deutsche Bank and Metallbank, consists of 330,000 ordinary shares at DM330, and 400,000 non voting preference shares at DM270.

The subscription period runs from January 25-29, and the stock is set to begin trading on the Frankfurt stock exchange on February 5.

BUS, formed in 1987, is a waste disposal and recycling company that has attracted substantial interest domestically because of its rapid profit growth combined with its strong environmental appeal.

The size of the issue determines that it will be placed domestically, and analysts expect it to be oversubscribed.

Metallgesellschaft will retain a 58 per cent share in BUS.

■ The subscription period for shares of discount retailer Kaufhalle ended yesterday, two days earlier than planned, because of strong demand, lead manager Dresdner Bank said, AP-DJ reports.

Kaufhof, the West German department store chain which is Kaufhalle's parent company, announced earlier this month that it would sell 25 per cent of Kaufhalle to the public through an initial public offering of 700,000 shares at DM330.

Record year for Swedish forestry industry

By Robert Taylor in Stockholm

THE Swedish forestry industry made a record estimated profit of SKr12bn ($1.92bn) last year, compared with SKr10.5bn in 1988. But the prospects for 1990 look less impressive.

However, Mr Bo Wergens, its director of the industry's employer federation which released the figures, said he expected continuing strong growth for the industry during the 1990s, though he expressed concern about the drop in investments in paper machinery, mainly due to uncertainties over the prospect for electricity prices if Sweden goes ahead with the planned shutdown of its nuclear power stations from 1995.

According to the figures published by the forestry industry the companies in Sweden last year increased their sales by 8 per cent to SKr111bn. Exports rose 6 per cent to SKr64bn. The industry was working at 94.95 per cent capacity and there was a 3 per cent rise in the volume of paper production.

Mr Wergens made it clear that the Swedish pulp and paper industry cannot expect another record year for profits in 1990, mainly because of growing economic difficulties in the US and the increase in competition in western European markets since last autumn, which has made it harder for the Swedish forestry companies to increase their prices. He characterised 1990 as likely to be a "middling" year for the industry in Sweden.

"There will be a calmer tempo," added Mr Wergens. "But there is no risk that the bottom will fall out of the market. We hope for an improvement in 1991."

The longer-term prospects for paper and pulp in the 1990s look very good, according to the analysis carried out by the Swedish forestry employers. Mr Wergens said international forecasts suggest that the use of paper in the world would rise by 20,000 tons every day until 2000.

He said he believed that Sweden was in danger of losing its current world market share as a result of less investment in plant and machinery.

US groups seek Perkin-Elmer deal

By Louise Kehoe in San Francisco

US ELECTRONICS industry leaders are "negotiating furiously" to try to complete a deal that would ensure continued US ownership of the semiconductor equipment operations of Perkin-Elmer Corporation.

Mr Jack Kuehler, president of IBM, said: "We are one of several companies that is trying to help." He declined to reveal details of who else might be involved in the talks, explaining that "we are all in a black-out period right now."

According to industry officials, however, Perkin-Elmer is negotiating to sell its optical lithography division to Silicon Valley Group, a California semiconductor equipment manufacturer.

The management of Perkin-Elmer's electron beam equipment subsidiary is said to be negotiating a management buy out of that segment of the business.

Efforts within the industry, which have involved several companies over the past few months, stem from concerns that Perkin-Elmer's semiconductor equipment operations, which the company said last April it planned to sell, might be acquired by one of the leading Japanese electronics manufacturers.

The industry fears it is becoming increasingly dependent on Japanese competitors for critical technology, including the sophisticated equipment and materials used to produce semiconductors.

IBM, the world's largest semiconductor manufacturer, has taken an active role in efforts to support the US production equipment industry with big purchases and joint development efforts.

Jack Kuehler: All companies in a black-out period

Concerns were voiced last year when Nikon, a leading Japanese producer of semiconductor production equipment, was reported to have been in negotiations with Perkin-Elmer.

Nikon apparently dropped its attempts to acquire the US business in the face of mounting political and industry objections.

Perkin-Elmer declined to comment on the negotiations, except to say it had not changed plans to sell the operations as part of a company-wide restructuring.

It also said it was laying off this week 250 of the 1,100 workers in its semiconductor equipment group.

The company blamed softening business conditions in the chip industry.

American Express up 11.3% in final period

By Alan Friedman in New York

AMERICAN EXPRESS, the big US financial services and travel group that recently agreed to sell off its Trade Development Bank (TDB) subsidiary in Switzerland, has unveiled an 11.3 per cent rise in fourth-quarter net income to $257m or 61 cents a share.

The company's full-year net earnings for 1989 were 11.5 per cent higher at $1.16bn or $2.70, although the return on equity declined slightly from 21.7 per cent to 21.4 per cent. Total revenues for the year were 20 per cent higher at $25bn.

The company said its net from continuing operations advanced by 17 per cent, but this calculation involved stripping out a $51m profit in 1988 from American Express' share of earnings from Fireman's Fund, the insurer that is no longer part of the group.

Mr Jim Robinson, chairman, highlighted the earnings growth at the group's Travel Related Services (TRS), IDS financial services and information services divisions, which together accounted for 85 per cent of total net profits.

TRS profits in the year rose by 17 per cent to $830m on $8.4bn of revenues, a 22 per cent increase. IDS had a strong year, with earnings 19 per cent higher at $175m, while information services rose by 32 per cent to $83m.

American Express Bank – which was placed last year in a new American Express International division that includes the international card and travellers' cheque businesses and a fledgling consumer financial services operation – suffered an 18 per cent drop in earnings to $122m.

The Geneva-based TDB, a private banking subsidiary acquired in 1983 from Mr Edmund Safra, was sold recently for about $1bn.

American Express' controversial Shearson Lehman Hutton brokerage and investment banking subsidiary, which is in the throes of a $900m recapitalisation, including a public share offer, reported earlier this week a slim fourth-quarter net profit of $3.8m and a 14 per cent increase to $110m in full-year net.

American Express' stake in Shearson will be diluted from 61 per cent to about 49 per cent after the share issue, but concern continues on Wall Street over Shearson's performance.

There is also frequent speculation over the prospects for Mr Peter Cohen, Shearson's colourful chairman.

Mr John Keefe, an analyst at Drexel Burnham Lambert, said that even though Shearson would be deconsolidated from the American Express group balance sheet, thus removing substantial debt, the problems in the US securities industry meant that Shearson, which he termed "a singularly unpopular company," could still be a drag on the group.

Mr Keefe also said that at the group level American Express might face slower 1990 growth because of a slowdown in consumer spending and travel and a rise in delinquent accounts among card customers.

Mobil slips 13% despite expansion in revenues

By Alan Friedman

MOBIL, the second-largest US oil company, reported a 13 per cent drop in 1989 net income to $1.81bn. Earnings per share were $4.40, down from $5.07 a year earlier.

The company's fourth-quarter net profits were $447m, down 3 per cent from the $462m recorded in the 1988 period. Earnings per share fell from $1.12 to $1.08 while revenues in the quarter advanced 12.7 per cent to $15.1bn.

Full-year group revenues rose by 4 per cent to $56.65bn. The biggest rise was an 18 per cent increase to $12.8bn in sales from US marketing and refining. Marketing and refining revenues outside the US grew by only 2 per cent to $27.96bn.

Although income from exploration and production was up by 26 per cent to $1.126bn last year, thanks partly to increased crude oil prices, the company was hit by a 27 per cent drop to $731m in earnings from marketing and refining activities. Of these, non-US earnings at $384m were 15 per cent below 1988 levels.

The chemicals division earned $573m, $40m less than in 1988. Revenues declined by 3 per cent to $3.8bn.

Overall, Mobil's return on equity for 1989 was 11.2 per cent, down from 12.3 per cent a year earlier. The group's return on capital was also down, from 10.6 per cent to 10 per cent. Total 1989 capital spending and exploration costs were 13 per cent below the 1988 level at $3.41bn.

Bid defence checks Nekoosa

By Karen Zagor

GREAT Northern Nekoosa, the US paper company which has been resisting a $3.8bn takeover bid by Georgia-Pacific since late October, reported a sharp drop in fourth-quarter earnings.

The Norwalk, Connecticut company said preliminary net income for the three-month period plunged 39 per cent to $52m or 92 cents a share from $85.8m or $1.56 a year earlier. Sales are estimated at $934m, down 1 per cent from $944.1m.

Nekoosa said its fourth-quarter earnings were reduced by 33 cents a share due to expenses related to the Georgia-Pacific bid. It said stock appreciation rights and stock performance units' pre-tax expenses were $20.3m or 22 cents a share. Earnings were also hurt by weaker demand for commodity papers.

For the year, shipments of pulp, paper and containerboard are estimated to be essentially flat.

Preliminary net income for the year fell 6 per cent to $321m or $5.78 a share from $341.7m or $6.21. Net sales are expected to advance 8 per cent to $3.9bn from $3.6bn a year earlier.

Mr William Laidig, chairman, said prices were relatively stable for the first half of last year but then weakened.

"The outlook is a tough call because most of our markets are becoming more competitive. Our performance in 1990 will depend on the strength of the US economy and the growth in demand for our products."

● Boise Cascade, the Idaho-based paper and forest products group, suffered a sharp fall in fourth-quarter earnings and forecast a further decline in earnings in 1990, writes Maggie Urry.

The group has been hit by falling prices for some paper grades and rising costs.

Fourth-quarter per-share earnings fell 24.7 per cent to $1.28 and net income was down by a third to $51.3m.

Revenues were unchanged at $1.1bn.

For 1989 as a whole, earnings per share fell 2.4 per cent to $6.19 on net income 7.4 per cent down at $267.6m.

Merger cost depresses drugs group

By Anatole Kaletsky

BRISTOL-Myers Squibb, the big US drug company, reported a sharp drop in net earnings, resulting largely from one-time charges related to the merger between Bristol-Myers and Squibb. The group made a net loss of $353m or 67 cents a share in the fourth quarter, including previously announced after-tax charges of $693m or $1.32 a share.

A year earlier the company's restated earnings would have been $293m or 56 cents a share.

For 1989 as a whole, the group reported a net profit of $747m or $1.43, 40 per cent down on $1.25bn or $2.39.

Excluding the latest quarter's one-time charges, the company's earnings would have been up by about 15 per cent. Revenues grew by 7 per cent in the quarter to $2.36bn. Annual revenues were also up by 7 per cent $9.20bn.

Charges hurt Owens-Corning

By Karen Zagor in New York

OWENS-CORNING, the leading manufacturer of fibrous glass products, has reported sharply lower fourth-quarter earnings, although sales continued to climb.

For the three months ended December 31, net income tumbled nearly 21 per cent to $46m or $1.09 a share, from $58m or $1.37 a year earlier.

Earnings in the quarter were hurt by two extraordinary after-tax charges totalling $49m or $1.17, which were partly offset by a one-time net gain of $38m or 90 cents. Consolidated net sales in the quarter advanced 24 per cent to $871m from $704m.

For the year, the Toledo, Ohio company reported a 9 per cent drop in net income to $172m or $4.08, from $189m or $4.51 a year earlier.

The 1988 result included a one-time charge of 20 cents a share, while the latest year's earnings include an extraordinary charge of 10 cents a share. Consolidated net sales for the year rose 7 per cent to $3bn from $2.8bn.

Mr William Boeschenstein, chairman and chief executive, said: "The company's performance was affected by the continued economic slowdown in the US.

"Our overseas performance remained strong, particularly in Europe and Brazil."

He added that the company was responding to the US business climate by cutting excess capacity at its North American operations.

Owens-Corning, which sells its products under the Fiberglas trade name, said earnings for its construction products group were hurt by a slowdown in the construction industry, although the cold weather at year-end helped its insulation business. Roofing operations continued to be disappointing.

The company's industrial materials group benefited from strong overseas markets, with good results from its European and Brazilian operations. However, in the domestic market business slowed as the year progressed.

Rising gold output lifts Newmont

By Kenneth Gooding, Mining Correspondent

HIGHER gold output and a profit on the sale of its Australian subsidiary gave a substantial boost to the fourth-quarter earnings of Newmont Mining, 49 per cent owned by Hanson group of the UK and which is North America's biggest gold producer.

Net earnings were $81.6m or $1.21 a share, compared with $21.8m or 32 cents a share in the fourth quarter of 1988.

Newmont, which has substantially boosted output from its Nevada gold mines, said that its most recent quarter included a $63.5m gain on sale of Newmont Australia shares, partly offset by unusual charges of $10.6m.

Revenue in the fourth quarter increased from $125.9m to $155.7m.

For the year as a whole, Newmont reported net profit up from $92.1m or $1.37 a share to $127.6m or $1.89 a share on revenues which jumped from $394.6m to $591.1m.

The 1989 year included profit on Newmont Australia shares and unusual charges of $15.5m. In 1988 there was an $81m gain on the sale of securities and $35.2m of unusual losses.

Discontinued operations accounted for a gain of $72.1m in the fourth quarter and a gain of $71.4m for the year in 1988 against a loss of $3.65m for 1989.

Newmont Gold, 90 per cent owned by Newmont Mining, reported fourth quarter net income up from $37.2m or 35 cents a share to $40.2m or 38 cents on sales which rose from $128.6m to $154.6m.

For the year Newmont Gold's sales increased from $388.8m to $559.2m, and net income was up from $108.1m or $1.03 a share to $118m or $1.13.

Coca-Cola Brazil to upgrade units

BRAZIL'S 32 Coca-Cola bottlers are to invest US$120m this year to expand capacity and upgrade units. They will spend a further $80m on marketing and promotion, writes John Barham in Sao Paulo.

Last year Coca-Cola invested $50m on marketing and $110m to expand capacity. The investments are a response to the considerable growth in Coca-Cola's sales in Brazil.

Brazil is the company's third largest market, after the US and Mexico. It claims 58 per cent of the local soft drinks market while the closest rival holds 17 per cent.

Mr Carlos de Menezes Cabral, a Coca-Cola executive, said the company planned to raise output by 15 per cent to 4.03bn litres and increase revenues by 15 per cent to $690m.

He said sales had almost doubled over the past four years, thanks to low prices and aggressive marketing.

Freeport McMoRan tumbles to $21.6m

By Kenneth Gooding

THE SHARE buy-back programme instituted by Freeport McMoRan, the New Orleans-based natural resources group, bit into fourth-quarter net earnings which dropped from $54.4m or 78 cents a share to $21.6m or 40 cents.

Freeport said it faced significantly higher interest charges in the recent quarter from debt attributable primarily to the company's purchase of about 18.8m of its shares in 1989, including 15.6m bought through a "Dutch auction" tender offer in May last year.

For the year Freeport's net earnings fell from $288.5m or $4.13 to $130.6m or $2.17. Revenues were level at $1.95bn.

Freeport McMoRan Copper, a 77 per cent-owned affiliate, reported fourth-quarter net earnings of $24.2m or 57 cents against $42.7m or $1. In 1989 as a whole, Freeport Copper's net earnings rose from $94.2m or $2.21 to $98.7m or $2.31.

Freeport McMoRan Gold's fourth-quarter net earnings advanced sharply from $3.9m or 10 cents to $6.2m or 15 cents. For the year Freeport Gold's net income fell from $28.5m or 69 cents to $12.7m or 31 cents.

Cray Research tops year's expectations

By Anatole Kaletsky in New York

CRAY RESEARCH, the world's leading maker of supercomputers, announced better than expected results for 1989. The company's shares, which had been severely battered after announcing disappointing results in previous quarters, advanced $1⅛ to $41 despite the general steep falls on Wall Street.

Cray made net profits of $52.5m or $1.78 a share in the fourth quarter, down 36 per cent from the $88.5m or $2.80 reported a year ago.

For 1989 as a whole, Cray made net profits of $89m or $3.02 a share, compared with $156.6m or $4.99 the year before.

The latest quarter's decline in profits was due largely to one-off costs associated with the company's introduction of new products and with development costs incurred on the Cray-3 project.

This project has since been spun off into a new start-up company, Cray Computer, whose stock has been distributed to shareholders of Cray Research.

Analysts were particularly pleased by Cray Research's latest revenue and order figures, which managed to meet the company's ambitious projections after several quarters of disappointing results.

Cray said its revenues in the fourth quarter were $330.1m, unchanged from a year earlier. Annual revenues came to $785m, up 4 per cent on the year before.

The company shipped 35 new systems to customers in the quarter, valued at $315m, and in 1989 as a whole 73 systems, valued at $638m. In 1988 it shipped 65 systems valued at $567m.

Cray's order backlogs at the end of the last quarter were worth $330m, compared with $215m at the end of the third quarter and $270m a year ago.

Mr John Rollwagen, chairman, said he expected flat revenues in 1990, compared with last year but he was confident of improving profits.

Bankers Trust hit by credit losses

By Karen Zagor

BANKERS TRUST, the fifth-largest US bank, saw fourth-quarter income plunge 45 per cent, bringing a big loss for the year. The loss was due mainly to its special $1.6bn loan-loss provision and lower net interest revenue.

For the three months ended December net income was $101.2m or $1.17 a share, down from $185.5m or $2.29 a year ago. The bank said it made a $147m provision for credit losses, against $30m last year.

Return on average common stockholders' equity was 17.5 per cent for the quarter, against 22.7 per cent the previous year. For the whole of 1989 there was a net loss of $979.9m or $12.10 a share, compared with record net income of $647.7m or $8.09 for 1988.

Excluding the $1.6bn special provision for potential Third World credit losses, net income for the year fell 4 per cent to $620.1m and earnings per share 7 per cent to $7.51.

Of all US commercial banks, Bankers Trust is one of the most heavily involved in lending for leveraged deals. Late last year it reported that was taking a fourth-quarter charge of $45m in loans to highly leveraged borrowers, in addition to $105m lost on other lending outside the developing countries.

Shell Canada falls steeply to C$212m

SHELL CANADA took a heavy blow from falling petrochemical prices in the second half of 1989, writes Robert Gibbens in Montreal.

The group earned C$212m (US$181m) or C$1.89 a share for 1989, down from C$427m or C$3.77 a year earlier. Revenues were C$4.9bn against C$5bn.

Fourth-quarter earnings were C$34m or 30 cents, down from C$128m or C$1.15 on unchanged revenues of C$1.29bn.

Baker Hughes up 46% in first quarter

By Karen Zagor

BAKER HUGHES, a leading oil services company which was formed from the merger of Baker International and Hughes Tool in 1987, yesterday reported a 46 per cent leap in first-quarter earnings.

The Houston, Texas company said net income in the three months ended December 31 was $25.4m or 20 cents a share against $17.4m or 12 cents a share a year earlier. The year-ago earnings do not include a one-time gain of 1 cent a share.

Revenues in the first quarter rose 2 per cent to $578.9m from $566.3m.

Mr James Woods, chairman and chief executive, said the strong quarter came in spite of a 2 per cent decline in worldwide drilling activity.

Furthermore, the previous year's revenues include a gain of $57.8m from the the company's mining equipment operations, which were sold in July last year.

Mr Woods attributed the improved earnings to "the continuing favourable mix in the oilfield operations as well as significant improvement in the quality of revenues in Baker Hughes Process Equipment."

The company expects to complete the acquisition of Eastman Christiensen, based in Salt Lake City, by the end of March.

Wang narrows losses by financial restructuring

By Anatole Kaletsky

WANG LABORATORIES, the struggling minicomputer manufacturer based in Lowell, Massachusetts, managed to narrow its losses in the latest quarter and said it was on target with the financial restructuring plan announced in October last year.

Wang added that it repaid almost half its bank borrowings and could be in a position to repay bank debt totally within the next few months.

The company's stock advanced $¼ to $4¼ yesterday morning despite the widespread losses on Wall Street.

Wang made a net loss from continuing operations of $5.5m in the three months ended December 31, the second quarter of its 1990 fiscal year.

This compared with a loss of $62.1m in the previous quarter and earnings of $4.2m in the same quarter of last year. However, all the results were severely distorted by one-time gains and charges.

The latest loss from continuing operations included a previously announced gain of $116m from the sale of a 30 per cent interest in the company's Taiwan operations, partly offset by restructuring charges of $62.8m.

The total net loss, including discontinued operations, was $10.5m or 6 cents a share in the latest quarter, compared with a loss of $62,1m or 38 cents the quarter before and a net profit of $1m or 1 cent a year earlier.

Revenues from continuing operations were $638m, against $597m the previous quarter and $$722m the year before.

Mr Richard Miller, the chairman of Wang, said the results were in line with his expectations and expressed confidence that Wang would be profitable by the end of the fiscal year.

Until then, he anticipated that Wang would continue to report losses, including some further restructuring expenses.

He added that Wang's bank debts had been reduced to $308m from $575m last August. With another $250m to $300m in cash expected from additional asset sales in the next few months, the bank debt could be totally paid off, he said.

Warner-Lambert expects 7% rise in annual sales

By Alan Friedman

WARNER-LAMBERT, the US pharmaceuticals company which produces Listerine, expects to report a 22 per cent rise in its net 1989 income to $6.10 per share.

Mr Joseph Williams, chairman and chief executive, told a meeting of analysts that sales for the year would be 7 per cent higher at $4.2bn.

The company, which will formally unveil its fourth-quarter results next week, said non-US sales accounted for 46 per cent of 1989 sales, or nearly $2bn.

Mr Williams also forecast that earnings per share would increase by 15 to 16 per cent in 1990, provided the company could achieve a sales rise of 8 to 9 per cent.

The company is raising its dividend for the year by 19 per cent to $3.04 per share.

ITT places 2m shares in CGE

By Anatole Kaletsky

ITT, the New York industrial, travel and financial services conglomerate, has privately placed the 2m shares it owned in Compagnie Générale d'Electricité (CGE) of France.

The shares were sold for $184m and ITT said it would record a pre-tax gain of about $71m in its results for the first quarter of 1990.

ITT acquired the CGE shares in 1988 in exchange for stock owned by ITT in Alcatel NV, a switching equipment joint venture.

The US group said the sale of its CGE holdings did not affect the Alcatel joint venture, in which ITT retains an interest of 37 per cent.

Aluminium Bahrain to issue $560m Euroloan

By Hunter Reynolds in Dubai

ALUMINIUM Bahrain (Alba) has awarded a mandate to a consortium led by Arab Banking Corporation and Gulf Investment Corporation (GIC) to arrange a $560m 10-year Euroloan to finance the company's planned expansion.

The conditions have not been made public but bankers say that the basic price is 7/16 point above London interbank offered rate for the first three years and ½ point for the remaining period.

The loan will be directed at a $1.4bn expansion planned by Alba which will more than double capacity to 465,000 tons. Work is expected to start this year, with completion by 1993.

The ABC/GIC consortium, which has a strong Japanese component, includes Arab Bank, Manufacturers Hanover, Riyad Bank, National Commercial Bank, Bank of Tokyo, Industrial Bank of Japan, Mitsubishi Bank and Sumitomo.

Manama-based bankers pointed out that the mandate was won against stiff competition from a group led by Gulf International Bank (GIB) and Citibank.

GIB's offer was said to be two basis points above the winning bid. The bank had come under widespread criticism for its dual role as both bidder and financial adviser to Alba. It is part-owned by the Government of Bahrain and was widely tipped to clinch the deal.

Meanwhile, the Dubai-based Emirates airline is looking to raise $150m to cover the cost of its planned fleet expansion. Invitation letters were sent out to bankers a week ago, according to Gulf banking sources.

Aristech calls for improved offers

ARISTECH Chemical of the US said a special committee of independent directors had authorised its legal and financial advisers to "actively solicit" proposals in excess of an existing $26 a share buy-out offer, AP-DJ reports. Mitsubishi Corporation of Japan and a management group made the earlier $845m offer.

Aristech said that the new bids must be received by January 29.

Texaco Canada deal slows Imperial Oil

By Robert Gibbens in Montreal

HEAVY INTEREST charges resulting from the C$5bn takeover of Texaco Canada hit profits of Imperial Oil of Canada in 1989.

Earnings fell to C$456m (US$389.7m) or C$2.54 a share, down 9 per cent from C$501m or C$3.06 in 1988, in spite of a 40 per cent revenue gain to C$10.1bn following integration of the two companies.

Imperial, the country's largest integrated oil company which is controlled by Exxon of the US, said operations performed well during the year. However, assuming C$4.7bn of debt for the Texaco deal led to C$216m in after-tax interest charges. In addition, depreciation rose 76 per cent to C$815m.

Fourth-quarter earnings were up 19 per cent to C$87m on revenues ahead 15 per cent at C$2.8bn.

Imperial is in the process of divesting well over C$500m of Texaco Canada assets to reduce debt.

A corporate restructuring helped boost profits of TransCanada PipeLines, the energy subsidiary of BCE, Canada's largest holding company.

Net profit from continuing operations was C$210.1m or C$1.09 a share, well up from C$72.3m a year earlier when no earnings were attributable to the common stock. Revenues were C$3.1bn against C$3.3bn.

Fourth-quarter net was C$54.1m or 31 cents compared with a loss of C$28.2m, on revenues of C$798m against C$882m.

Last May TransCanada hived off its upstream oil and gas operations into Encor, a separate company also controlled by BCE. Its gas transmission operation performed better in 1989 and interest income was higher.

● Canada's Federal Government is offering Mobil Oil Canada a new benefits package to persuade the company to build at least one of the production rig modules for the Hibernia oilfield in Newfoundland.

The aim is to cushion the impact of job losses on the island because of the depressed fishing industry.

Ottawa is putting about C$1bn cash into the C$5.2bn Hibernia offshore oil project and will provide C$1.2bn in loan guarantees.

Mobil has redesigned the production rig to save costs, but there will still be five modules set on top of the main frame.

The Government says that construction should start this summer.

INTL APPOINTMENTS

Successor for BfG chairman is named

THE SUPERVISORY board of Bank für Gemeinwirtschaft (BfG) named a new chairman, Mr Paul Wieandt, yesterday, accepting the resignation of its chairman of 12 years.

Mr Wieandt, chairman of the managing board of directors of Landesbank Rheinland-Pfalz, a regional savings bank, since 1984, will replace Mr Thomas Wegscheider in the bank's top position on March 1.

Mr Wegscheider, as previously reported, offered his resignation on January 3 following quarrels between the major shareholders of BfG. The bank is majority owned by Aachener und Münchener (A&M), a large West German insurance company, while Beteiligungsgesellschaft für Gemeinwirtschaft (BGAG), a trade union holding company, owns a 49.5 per cent stake.

After BfG suffered heavy losses through its involvement with Co op, the ailing West German retailing group, a conflict arose between A&M and BGAG over Mr Wegscheider's handling of the bank, according to German press reports.

AGF names two to fill managing director role

ASSURANCES Générales de France (AGF), the second largest French state-owned insurance group, has named the two new joint managing directors who will take over, under the chairmanship of Mr Michel Albert, on March 1 when Mr Roger Papaz, managing director for ten years, retires.

Mr Jean Daniel Le Franc, deputy managing director of AGF since 1983, will take charge of all the company's operational divisions, while Mr Yves Mansion, formerly one of the top advisers to Mr Pierre Bérégovoy, the country's Finance Minister, will take over the functional divisions and AGF's international arm.

Mr Le Franc, 56 years old, spent most of his career with the Thomson electronics group before moving to AGF seven years ago. Mr Mansion, 39, worked at the Finance Ministry before joining the group last September.

Mr Papaz, whose career at AGF spans 43 years, will remain on the company's board. With Mr Albert, appointed chairman in 1982, he has been the symbol of continuity in the state insurance sector, often hit by frequent changes of management.

Senior changes at Ennex

SEVERAL senior management changes are taking place at Ennex International, the Dublin-based mining company.

Mr Andy Meldrum, previously chief executive, becomes executive deputy chairman.

He replaces Mr Peter McAleer, one of the founders of Ennex, who has resigned following the sale of all the company's ventures in Australia, where he wishes to work.

Following the recent sale of Ennex's oil and gas interests, Mr David Naylor, the director in charge, has also resigned.

Mr David Coyle, finance director, has in addition been made secretary to the company, while Mr David FitzGerald has been appointed to the board and as operations director. Mr John Clifford becomes exploration director.

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BANK OF Ireland announced a reorganisation of responsibilities at executive director level.

Mr M. Meagher has been appointed group chief financial officer, a function of the chief executive's office. He becomes a board member of each of the group's operating units.

The corporate and international division, which Mr Meagher relinquishes, and treasury and investment banking division are to be amalgamated under Mr Maurice Keane, currently managing director of the latter division.

The new division will be titled the corporate and investment banking division.

INTERNATIONAL COMPANIES AND FINANCE

HK bank result tops expectations

By John Elliott in Hong Kong

BANK OF East Asia, Hong Kong's largest locally owned and family controlled bank, yesterday declared consolidated after-tax profits of HK$333.4m (US$42.7m) for last year, a 19 per cent increase.

These figures understate by a significant amount the increase in the bank's profits. They were seen by analysts as a better than anticipated start to the year's annual results season, at a time when confidence is low within Hong Kong.

The bank's real profits growth is believed to have been at least as good as the 25 per cent increase reported for 1988.

The total dividend for last year, at 75 cents a share, is 25 per cent above the 1988 level.

Along with other banks in Hong Kong, East Asia does not reveal how much it transfers to secret inner reserves.

The bank's directors, who follow a highly conservative financial policy, are believed to have ordered a larger than usual secret transfer last July when interim results were announced in the wake of China's June crisis. They are now believed to have done so again with the full-year results because they fear the coming year will not be so buoyant.

Mr David K.P. Li, chief executive, said the results were "exceptionally good," despite problems faced by the Hong Kong economy since the June events in China.

This partially reflected strength in the Hong Kong market for small to medium-sized residential property, which has provided sustained demand for East Asia's mortgage loans.

There was also considerable demand for trade financing and syndicated loans with marked expansion in Asian regional trading, despite a slowing in Hong Kong export growth.

Part of this business has probably been at the expense of the Peking-controlled Bank of China group, which lost business following the crackdown in Tiananmen Square.

The group lost some HK$20bn, or 10 per cent of its deposit base, within a few days last June. Much of the business is believed not to have returned, and Hong Kong's local and foreign banks have benefited as a result.

All of East Asia's Hong Kong properties have been revalued and the surplus on the land portions transferred to inner reserves.

The bank is continuing to expand its Hong Kong business by increasing its 57 branches to 60, which Mr Li said showed confidence in the 1990s.

Redevelopment plans included building a commercial and business complex on a prime site owned by the bank at Kennedy Town on Hong Kong island.

A one-for-five bonus issue of 45.9m shares of HK$2.50 each is being proposed by capitalising HK$114.7m in the bank's share premium account.

The directors say that they anticipate a dividend for 1990 of not less than 65 cents per share, barring unforeseen circumstances.

Goldberg wins support to keep Linter afloat

MR ABRAHAM Goldberg, the Australian entrepreneur who twice stalked Britain's Tootal Group in the past five years, won support yesterday from bankers to keep his Linter textile group afloat, Reuter reports from Sydney.

The decision followed a day-long meeting between Linter executives and its lenders. Analysts estimate the total debt of Mr Goldberg's group is at least A$500m (US$390m).

Mr. John Blood, managing director of its Linter Textiles offshoot, said Mr Lindsay Maxted, a partner with accounting firm KPMG Peat Marwick who chaired the meeting, had been authorised to set up a scheme of arrangement for the company's future.

Rustenburg sees fall with lower prices for platinum

By Jim Jones in Johannesburg

LOWER PLATINUM and nickel prices combined with production difficulties to restrain interim sales and profits of Rustenburg Platinum, the world's largest platinum mining company. The directors warn that, if present prices persist, distributable profit will fall this year.

In spite of the difficulties, revenue increased to R1.50bn ($585.5m) in the six months to December from R1.41bn in the corresponding period of 1988 and pre-tax profit was R644m against R633m. In the last full year sales totalled R2.93bn and the pre-tax profit was R1.44bn.

Operations were affected by teething problems at its new precious metals refinery. Rustenburg has replaced two other refineries – one in England and the other in South Africa – but failed to reach its planned production levels on schedule.

Production of platinum and palladium is now close to plan, but production of metals such as rhodium and iridium are below expectations as high impurity levels have obliged the company to re-refine sub-standard material.

First-half earnings increased to 212.2 cents a share from 190.7 cents and the interim dividend has been raised to 125 cents from 115 cents. Last year's full earnings were 475.4 cents and the total dividend 300 cents.

Raja Garuda bids for video tape concern

INDONESIA'S Raja Garuda, an industrial holding group, is making a conditional takeover offer for Electro Magnetic (S), a company listed on Singapore's second board, AP-DJ reports from Singapore.

The offer for the video tape manufacturing concern will be made following the purchase of a 38.3 per cent stake in Electro Magnetic for S$40.2m (US$21.4m) by Raja Garuda.

A first stake of 12.2 per cent was bought from a group of seven venture funds for S$15.4m or S$2.48 per share. A second block will come from the Indonesian company's purchase of a 74.9 per cent stake in EMS Investment Holdings, which owns a 26.1 per cent stake in Electro Magnetic.

INTERNATIONAL CAPITAL MARKETS

AIBD rule fuels bond clearers row

Andrew Freeman on Euroclear and Cedel's struggle for equality

As the designated investment exchange for the Eurobond market in London, the Association of International Bond Dealers is responsible for the reporting of all international bond trades by its UK-based members. The clearing and settlement of these trades is done elsewhere by Euroclear and Cedel, the competing clearing houses.

Soon after it gained its exchange status, the AIBD realised that it needed to extend its jurisdiction over trade reporting beyond the secondary market to the primary market if it were to satisfy UK regulators. With the agreement of the International Primary Markets Association, it introduced late in 1988 a rule effectively abolishing the distinction between primary and secondary trading.

The new requirement meant that all grey market trades – those entered into before the official signing date of a new issue – had to be reported using the AIBD's Trax system. Specifically, rule 221 required the settlement of all grey market trades for valuation on the day of signing.

This apparently innocuous change has been the cause of long-running and arcane debate, which could result in a complete breakdown in relations between Euroclear and Cedel. When the AIBD's market practices committee meets in early February, it will be the latest attempt to solve the settlement problem raised by rule 221, which is currently not fully implemented. For the clearers, it will be the latest round in a bitter struggle for equality.

Because they process settlements in different ways and at different times, the clearers found rule 221 gave a new twist to a long-running argument.

It concerned the so-called bridge which connects the clearing systems to allow trades to pass from one to the other.

The bridge has been in place since 1980 when the clearers agreed times for trade processing. At the time of the original commercial agreement, the business environment was embryonic. Cedel's annual turnover, for instance, was a mere $80.3bn per annum. In 1988, this rose to $1,720bn. It rose again in 1989. Now, around $1.2bn moves from Cedel to Euroclear every day. Processing times of between seven and 10 hours have been reduced now to only two to three hours.

As transaction volumes grew over the 1980s, Cedel found it had conceded an increasingly significant competitive advantage to Euroclear. For historical reasons Euroclear processes its trades overnight, while Cedel processes during the day.

The problem arose on so-called back-to-back trades, where for example a Cedel client selling bonds to a Euroclear client needs the proceeds of the sale to pay for the purchase of other bonds in Cedel. The purchase is dependent on the delivery of cash across the bridge. Because of the different processing times, Cedel clients which have sold stock and are awaiting cash deliveries from Euroclear do not get their cash until the next day. In effect, they lose a day's interest on their money.

Cedel argues this gives Euroclear an unacceptable advantage. The bridge is profitable to Morgan Guaranty which operates Euroclear under contract, but costs Cedel users lost interest on what can be huge balances. Currently, Cedel backvalues late cash deliveries caused by the bridge, but the cost of this subsidy is hidden elsewhere and is really paid by market participants.

Since the mid-1980s, Cedel has been pressing for a renegotiation of the bridge agreement, but there has been little progress even though Euroclear publicly accepts that it is not disadvantaged by the bridge

The introduction of Rule 221 by the Association of International Bond Traders abolished the distinction between primary and secondary trading and required the settlement of all grey market trades for valuation on the day of signing. The resulting debate is seriously threatening relations between Euroclear and Cedel, the competing bond clearing houses

The principal reason for the deadlock is that bank rivalries as well as money are at stake. Cedel was originally established to be a rival to the Euroclear system conceived and established by Morgan Guaranty. Some of the large banks which back Cedel object to what they see as inordinate profits derived by Euroclear. They refuse to use the Euroclear system and want the bridge question resolved so the two clearers can compete on equal terms.

On its part, Morgan Guaranty is perhaps understandably reluctant to relinquish an advantage which partly ensures its generous stream of profit. Euroclear is rumoured to make a surplus of about $4m net each week.

Until recently, Cedel's efforts to change the bridge arrangement foundered, partly because it failed to make its case persuasively. The parties bickered publicly over which of them was responsible for holding a solution back. Then came rule 221.

For the first time, because of its overnight processing, Euroclear found itself disadvantaged by the bridge. It cannot make new issue stock available for further transactions on signing day, because it has not yet processed the grey market trades. Euroclear already compensates its clients using back valuation. On certain types of trade, however, its clients lose interest on bridge deals because of rule 221.

At the AIBD's behest, the clearers have been forced to examine ways of lessening the bridge problem so that rule 221 can be properly implemented. However, they have very different ideas over what this involves.

For Cedel, rule 221 has provided an unexpected and strong lever to reopen the entire bridge question and put Euroclear under pressure. More resolute management and marketing have begun to swing the argument in its favour, but the issue remains highly politicised.

It wants to solve 221 by introducing an extra processing cycle by both clearers to allow for more frequent exchange of information files. It argues this is technically feasible and would improve the liquidity of the market. Euroclear says Cedel is trying to crack a nut with a sledgehammer.

Euroclear points out that rule 221 affects only 1 per cent of total turnover, and says that Cedel has used the rule to avoid implementing other less favourable solutions to the bridge. It proposes more efficient back valuation, which could be introduced quickly and would solve around 80 per cent of the problem. Multiple exchange of files, it says, would involve expensive technological developments, an idea fiercely denied by Cedel.

The argument puts the AIBD in a difficult position. It has no formal powers over the clearers, but it does not want to be seen as a regulator which makes rules it cannot enforce. Late last year it asked the clearers to allow independent consultants to examine the problem and recommend a solution. The suggestion was refused by Euroclear which said it could not allow outsiders access to confidential information.

Rule 221, then, has inadvertently become very controversial. If it can steer matters to a successful conclusion before the annual conference in Amsterdam, the AIBD will have made a good start to 1990 and have saved the market money at the same time. But it has to find a solution that will not so alienate one of the two clearers that it loses its co-operation.

For the clearers the stakes are higher. Cedel sees the opportunity it has been waiting for to widen rule 221 into a general attack on the bridge mechanism. Euroclear faces a fierce challenge to its profitability. Its claims that the bridge issue is being exploited by Cedel ring somewhat hollow against the wider market's need for cheaper settlement.

(This is the last of three articles. The previous articles in the series, focusing on the AIBD, were published on January 12 and January 17.)

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 8⅝ 96	750	97¾	98¼	-0⅛	-1	9.02
Alberta 9⅜ 95	600	101⅜	101⅞	-0⅜	-0⅞	8.98
Austria 9⅝ 93	140	101½	102¼	-0¼	-0⅝	8.94
B.F.C.E. 8⅜ 94	175	97⅞	98¼	-0⅜	-0⅝	8.90
B.F.C.E. 9¼ 95	150	100⅞	101¼	-0½	-1	9.01
Brit. Tel. Fin. 9⅜ 98	250	100¾	101¼	-0⅜	-1¼	9.19
Canada 9 96	1000	101	101½	-0⅜	-0⅞	8.72
C.C.C.E 9¼ 95	300	100¾	101⅜	-0⅜	-1	8.99
C.N.C.A 9⅜ 93	150	†100⅜	100⅞	-0¼	-0½	9.14
Credit National 8¾ 93	200	†98	98½	-0⅜	-0⅝	8.87
Credit National 7⅜ 92	100	96¾	97¼	-0¼	-0⅝	8.87
Credit National 9½ 92	160	†101¼	101⅝	-0⅜	-0½	8.89
Dai-Ichi Kan 9⅜ 92	150	100⅞	101⅜	-0⅛	-0½	9.09
Denmark 8¼ 94	150	†96⅞	97⅜	-0¼	-0⅝	9.02
E.E.C. 7 91	100	97	97½	-0¼	-0¼	8.64
E.E.C. 10 93	140	†102⅝	103	-0¼	-0⅝	8.94
E.I.B. 8½ 99	150	96⅛	96½	-0½	-1¼	9.08
Eurofima 10⅛ 93	100	†102¾	103¼	-0⅜	-0⅞	9.02
Elec. De France 9 98	200	99⅜	99⅞	-0⅜	-1⅛	9.06
Elec. De France 9½ 99	200	†101⅝	101¾	-0½	-1⅛	9.20
Finland 9 96	250	99½	99⅞	-0½	-1⅛	9.03
Finn. Exp. Cd. 8½ 92	200	98⅞	99⅜	-0⅛	-0⅝	8.94
Finn. Exp. Cd. 9⅜ 95	200	101⅛	101½	-0⅜	-0⅞	9.04
Ford Motor Credit 8 91	250	†98½	99	0	-0⅛	9.14
Gen. Elec. Cap. Corp. 9 93	500	†100⅛	100⅝	-0¼	-0½	8.86
Gen. Elec. Cap. Crp. 10 1/2 91	300	101⅛	101⅝	-0¼	-0¼	9.13
G.M.A.C. 8¾ 94	500	†97⅜	97⅞	-0¼	-0¼	9.37
G.M.A.C. 9 96	300	98⅛	98½	-0½	-0⅞	9.35
Gen. Mtrs. Corp. 9⅛ 92	200	100	100⅜	-0⅛	-0⅝	9.02
IBM Credit Corp. 8⅜ 92	400	99¼	99⅝	-0¼	-0½	8.86
IBM Credit Corp. 8⅞ 91	250	99⅝	100⅛	-0⅛	-0¼	8.91
IBM Credit Corp. 9 92	250	100⅛	100⅝	-0⅛	-0⅜	8.78
IBM Credit Corp. 9½ 92	250	100⅜	101¼	-0⅛	-0¼	8.93
Italy 8½ 94	1500	98⅛	98½	-0¼	-0⅛	8.95
Italy 9½ 95	1000	101⅞	102⅜	-0⅜	-1	9.00
Italy 9⅝ 99	1000	102¼	102½	-0½	-1½	9.22
Itoh C. W/W 4⅜ 94	1000	107¾	109	-2½	-1½	2.59
Japan Dev. Bank 10 96	200	104	104⅜	-0½	-1⅛	9.09
KFW Intl. Fin. 9 94	300	99⅝	100⅛	-0¼	-0⅞	9.01
L.T.C.B. of Japan 9¼ 92	200	100	100⅜	-0¼	-0⅜	9.17
New Zealand 9 94	850	98¾	99¼	-0¼	-0⅜	9.25
Nippon Tel.&Tel. 9⅜ 98	250	100¾	101¼	-0⅝	-1½	9.22
Norway 8¾ 93	500	99⅝	100⅛	-0¼	-0⅝	8.78
Portugal 8¼ 91	300	†98⅝	99⅛	0	-0⅛	9.27
Sumitomo Corp. W/W 4 93	1500	115¼	116½	-2⅜	-3¼	-0.58
Sweden 8¾ 96	200	98⅞	99⅜	-0⅜	-0¼	8.93
Toyota 9½ 91	200	100⅞	101¼	-0⅛	-0¼	8.96
Toyota Mtr. Corp. W/W 4 93	1500	†104	105½	-0⅜	+1	2.51
Victorian Rep 11⅝ 92	150	104¼	104⅝	0	-0⅜	9.34
World Bank 8⅜ 99	1500	97⅜	97¾	-0½	-1¼	8.72
World Bank 9 97	300	99½	100⅛	-0⅝	-1⅛	9.03
World Bank 9 93	300	100½	101	-0¼	-0½	8.71
World Bank 9¼ 98	300	100⅝	101	-0½	-1	9.09
World Bank 9⅝ 99	500	102⅞	103¼	-0⅝	-1½	9.12
World Bank 9⅝ 96	300	†103¼	103½	-0⅞	-1	9.00

Average price change... On day -0¼ on week -0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	90½	91⅛	0	-0⅜	8.34
Austria 6¾ 99	750	90½	91⅛	-0¼	-1	8.21
Bk. Frgn. Econ. USSR 7 96	750	†89½	90½	-0¼	-2	9.18
Bank of Tokyo 5¾ 93	100	93¼	93¾	+0⅛	-0½	8.21
Commerzbank o/s. 5⅞ 93	300	93½	94	0	-0¼	7.82
Credit Foncier 6¼ 99	500	90⅞	91	-0¼	-0⅞	9.26
E.I.B. 6¼ 99	600	87½	88⅛	-0¼	-0½	8.20
E.I.B. 6½ 99	300	91¼	91⅞	-0¼	-0¼	7.83
E.I.B. 6⅝ 96	600	93⅝	94⅜	-0⅜	-0¾	7.87
E.I.B. 6⅞ 95	300	94¼	94⅞	0	-0⅛	8.06
E.I.B. 8 2000	500	99⅞	99⅝	-0⅛	-0⅛	8.07
Euro.Coal & Steel 5⅞ 97	175	86⅞	87⅝	-0¼	-1¼	8.33
Euro.Coal & Steel 7¾ 94	100	†100⅞	101¼	-0⅜	-0½	7.46
Eurofima 6¼ 96	100	92⅛	92¾	-0⅛	+0½	7.80
Elec De France 5¾ 97	300	86½	87⅛	0	-1¼	8.20
Hydro-Quebec 6¾ 99	300	89⅝	90⅛	-0⅝	-1½	8.34
Japan Dev. Bk. 5½ 95	300	87⅝	88⅜	+0⅛	0	8.27
Japan Finance 5⅜ 97	100	86⅝	87⅛	-0¼	-0⅜	8.30
I.A.D.B. 7¼ 99	300	94	94⅝	-0⅛	-0⅜	8.14
Ireland 6½ 97	300	90	90½	-0½	-0⅜	8.33
Ireland 7¼ 99	500	92½	93⅛	-0⅝	-1½	8.36
Malaysia 6¼ 94	150	94⅝	95⅛	-1	-1⅝	7.60
Nat. West BK. PLC 6 98	300	86⅝	87⅛	-0½	-1	8.22
Nippon Telg.&Tel. 6 95	400	90⅞	91½	+0⅛	-0⅛	6.72
Oesters. Kontbk. 5 93	300	91⅛	91⅞	-0½	-0⅛	8.30
Portugal 5¾ 92	150	93¾	94⅛	-0⅛	-0⅞	8.47
Portugal 6⅝ 95	150	93	93¾	0	-0⅞	8.15
Royal Insurance 5½ 92	300	94¼	94⅞	+0¼	+0⅜	8.31
Turkey 6½ 95	500	90⅛	90⅞	+0⅛	-0⅜	8.81
Union Bk. Finland 5½ 94	200	90¼	90⅞	-0½	-1	8.40
World Bank 6 98	500	†86¼	86¾	-0⅜	-0½	8.22
World BK. 6¼ 97	600	89	89½	-0¼	-1	9.30
World Bank 6¾ 99	600	90⅜	90⅞	-0¼	-1	8.20

Average price change... On day -0¼ on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev. Bk. 5 96	150	†85½	86½	-0½	-0⅜	7.81
Asfinag 5 03	100	†81½	82½	-0¼	+0¼	7.10
B.F.C.E. 4½ 98	200	†84	84½	-0½	-0¼	7.02
B.M.W. Fin. Neth. 5 13	150	†78	79	-0½	-1⅝	6.88
Britannia B/S. 4¼ 94	100	†84	85	+0⅝	+2⅜	8.64
CIR. Int. W/W 3 93	125	†83	83¼	0	-3	8.82
Credit Lyonnais 4¾ 00	100	†78	78¼	+0⅜	-1⅜	7.92
E.I.B 4⅝ 98	150	†84	85	0	+0⅜	7.13
Finn. Exp. Cd. 8¼ 92	75	†99¾	100	+0⅛	+1⅛	8.27
Fletcher Chall. 4⅞ 98	150	†73	73¼	-0⅛	-1⅜	9.78
I.A.D.B. 6 2004	200	†90	91	-0⅛	-0¼	7.06
Kobe City 4⅝ 98	150	†82½	83	0	+0¼	7.44
Leeds Perm. B/S. 4⅛ 93	200	†88	88½	+0⅛	+0¼	8.43
Malaysia 5¼ 98	100	†80½	80⅜	0	-0⅛	8.55
Maxwell Comm. Crp. 5 95	150	†81½	82½	-1	-0⅞	9.39
Nat. Bk. Hungary 5½ 94	75	†87	89	-1	-1	8.60
Nationwide Ang. B/S. 4 93	200	†86¼	87	+0¼	+0½	8.61
Prov. Newfoundland 5 03	150	†80	81	0	-0⅛	7.27
Thailand 4⅝ 95	200	†82	83	-0½	-1	8.78
World Bank 5 03	150	†81¾	82	-0⅝	-1⅜	7.12

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	99¼	99½	0	0	6.73
Canada 5⅝ 93	80	96⅛	96⅝	0	0	6.77
Eurofima 5 1995	20	91⅛	91⅝	-0⅛	-0¼	7.02
E.I.B. 4⅞ 93	30	94⅝	94⅞	0	0	6.80
Ireland 5⅛ 93	30	93⅝	94⅛	0	0	7.29
Norway 5⅛ 95	50	92⅝	92⅞	0	-0½	6.82
Sweden 4⅝ 93	50	93⅝	93⅞	-0⅛	-0⅛	6.79
World Bank 5⅛ 98	10	89	89½	-0⅛	-1½	6.89
World Bank 7 94	20	100⅜	100⅞	0	0	6.81

Average price change... On day 0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10¼ 94 C$	150	96⅛	96⅝	-0½	-0¼	11.27
Abbey Nat. 11⅜ 93 £	100	93¾	94¼	-0¼	-0⅞	14.19
Aegon 7¾ 92 Fl	100	98¼	98¾	0	-0⅜	8.03
Alg. Bk. Ned. 5¾ 93 FL	200	92⅛	92⅝	0	-0⅝	8.61
Austria 7½ 94 ECU	100	†91⅛	91⅝	+0⅛	+0¼	10.12
Barclays Aus. 13½ 91 A$	100	97	97½	-0⅛	0	15.30
Belgium 8¼ 94 Ecu	150	91¾	92¼	-0⅛	-0¼	10.62
Bell Canada 10⅞ 04 C$	200	98⅞	99⅜	-0½	-0⅞	10.98
BP Capital 9¾ 93 £	100	89¼	89¾	-0⅛	-1⅛	13.98
British Airways 10 98 £	100	85¼	85¾	-0¼	-1¼	12.98
Brit. Telecom 9½ 93 £	150	89⅞	90⅜	0	-1	13.60
Comm. Bk. Aust. 12⅝ 93A$	100	†93¾	94¼	-0⅛	+0⅞	14.96
Comm. Bk. Aus. 13¾ 94 NZ$	60	103¾	104¼	+0⅛	0	12.42
Credit Foncier 9 96 Ecu	100	94¾	95¼	0	+0¼	10.07
CrLocalFrance 9¼ 92Ecu	100	†97⅜	97⅞	-0⅛	-0⅛	10.37
Den. Bk. Aus. 13¾ 93 A$	125	99⅛	99⅝	+0¼	+0⅛	13.56
Deutsche Bk. Fin. 15 94 A$	100	102½	103⅛	0	0	14.04
Elec. De France 9¾ 99C$	150	93⅛	93⅝	-0⅜	-0⅝	10.87
E.I.B. 7 96 LFr	100	*†95¼	95¾	0	0	8.02
E.I.B. 7⅜ 99 FL	150	91	91½	0	-0⅞	8.48
E.I.B. 9 99 Ecu	150	†94¼	94⅜	-0⅛	-0½	9.92
Eurofima 7⅝ 94 Ecu	100	91½	92	+0⅛	+0½	10.23
Export Dv. Crp. 8⅞ 92Ecu	100	†96¼	96¾	-0⅛	-0⅛	10.52
Fed. Bus. Dv. Bk. 9 94 Ecu	100	†95⅛	95⅝	+0⅛	0	10.33
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97¼	97¾	-0⅛	0	10.95
Ferrv. Stato 7¾ 93 Ecu	100	*†91¾	92¼	0	+0¼	10.67
Ford Cr. Can. 10¾ 93 C$	100	†98¾	99¼	-0¼	-0¼	11.14
Ford Cred. Can. 10⅞ 96C$	125	98¼	98¾	-0¼	-0⅜	11.21
Ford Cred. Fund. 10¾ 93£	60	91¼	91¾	-0¼	-1¼	13.73
G.M.A.C. Canada 11 3/4 94C$	100	101⅛	101⅝	-0¼	0	11.29
Heineken 7⅛ 94 FL	150	96¾	97⅛	-0¼	-2⅛	8.02
Hydro-Quebec 11 99 C$	400	100	100¼	-0⅛	-0½	10.97
Lloyds Bank 10¼ 98 £	150	85⅞	86⅛	-0⅜	-1⅜	13.11
Lloyds Bank 11⅝ 98 £	100	89⅞	90⅛	-0½	-1⅜	13.40
Nat. Aus. Bk. 14¼ 94A$	100	99⅝	100	-0⅜	0	14.86
New Zealand 9½ 93 £	100	88¾	89⅜	-0⅜	-1	13.87
O.E.K.B. 10¼ 99 C$	150	95¾	96¼	-0⅝	-0¼	10.92
Royal Bk. Scot. 10⅝ 98 £	125	88¼	88¾	-0⅜	-1⅜	13.03
Saskatchewan 10¼ 93 C$	200	97¾	98⅜	-0¼	+0⅛	10.89
State Bk. NSW. 13⅞ 93A$	100	97⅞	98⅜	+0¼	+0½	14.50
Sweden 7½ 93 Ecu	250	†91	91½	0	-0½	10.38
Sweden 15 94 A$	100	101⅞	102⅜	+0⅛	+0⅛	14.24
Toyota Mtr. Cr. 10⅜ 94C$	150	97¼	97¾	-0½	-0¼	11.00
Toyota Mtr. Cr. 11⅜ 92C$	150	100⅛	100⅝	-0⅛	-0⅛	11.11
World Bank 7⅛ 99 FL	300	91	91½	0	-1	8.51
World Bank 10⅞ 94 £	200	92⅜	92¾	-0½	-1⅝	13.11
World Bank 13¾ 92 A$	100	100⅝	101⅛	-0¼	-1	12.84
World Bank 14¼ 94 A$	75	100⅝	101⅛	+0¼	-0⅛	13.91
Zentrspk. 13¼ 93 A$	75	†96¾	97¼	+0⅜	+0¼	14.28

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.92	99.97	24/01	15.21
Bank of Greece 99 US	†0¼	99.39	99.49	8/03	9¼
Belgium 91 US	0	100.13	100.23	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.83	99.88	28/02	15.31
Credit Foncier 98 US	.063	99.83	99.94	20/04	8.31
Dresdner Finance 99 DM	†.031	100.17	100.27	28/01	8.16
EEC 3 92 DM	†0	100.20	100.30	22/02	6¼
Halifax BS 94 £	.1	100.01	100.06	9/02	15.16
Invt. in Industry 94 £	0¼	99.95	100.05	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	15/01	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.89	99.94	29/03	15¼
New Zealand 5 97 £	.07	100.00	100.10	22/02	15¼
Northern Rock 92 £	0½	99.87	99.92	20/01	5¼
State Bk. New. 98 US	.188	100.04	100.14	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.00	100.05	15/01	15.37
Woolwich 5 95 £	0⅛	100.00	100.05	22/02	15.31

Average price change... On day 0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	108¼	109¼	-0¼	5.76
Amer. Brands 7¼ 02 US	†9/87	56.7	116	117	+1	0.08
CBS. Inc. 5 02 US	4/87	200.	94⅞	95⅞	-0¼	9.54
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	88	89	-1⅞	5.06
Primerica 5½ 02 US	†4/87	66.75	74	75	+0¼	85.00
Eng. China Clay 6½ 03 £	9/88	4.8	94¼	95¼	-0¼	3.36
Fujitsu 3 99 US	5/84	1106.	211⅛	212⅝	-4⅞	-3.75
Ladbroke Grp. 5⅛ 04 £	6/89	3.55	99⅞	100⅞	-0⅛	13.34
Land Secs. 6¾ 02 £	6/87	6.72	85⅞	86⅞	-1⅞	15.63
Minolta Camera 2¼ 94DM	2/86	1004.	107½	109	-0⅞	4.53
MCA Inc 5½ 02 US	†9/87	69.62	95⅛	96⅛	-0¼	18.55
Mitsubishi Bk. 3½ 04US	5/89	3266.	86	87	-1⅛	3.50
Next Plc 5¾ 03 £	11/87	4.3	95½	96½	-0⅛	334.53
Nishi Nap. Bk 2⅞ 03 US	4/88	804.	137	138	-1½	-4.70
Omnicom Inc. 6 1/2% 04 US	10/89	28.	103	104	-0⅛	17.66
Onoda Taisei 2¾ 02 US	4/87	1310.	273	274	-2	-0.31
Ranks Hovis 4¾ 03 £	1/88	3.5	124⅞	125⅞	-0⅛	-1.17
Redland 7¼ 02 £	1/87	5.4	104	105	-3⅛	8.77
Saatchi&Stchi. 6¾ 03 £	†10/89	4.41	84½	85½	-0⅛	54.98
Silicon Graphics 8 04 US	6/89	23.19	129⅛	130⅛	-0¼	1.10
Sumitomo Bank 3¼ 04 US	2/89	3697.	80½	81½	-0½	5.64
Texas Inst. 2¾ 02 US	9/87	82.87	77	78	+0⅛	93.17
Utd. N'papers 8 04 £	10/89	8.77	116⅜	117⅞	-3⅛	144.95
W.R. Grace 6¼ 02 US	9/87	42.12	89⅝	90⅝	-0½	29.22

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Greek bond issue raises Dr155bn

By Kerin Hope in Athens

GREECE has raised a record Dr155bn ($970m) through its latest bond issue index-linked to the Ecu, according to preliminary figures from the Bank of Greece.

Foreign participation in the one-year 12 per cent issue, launched one week ago, accounted for about Dr110bn.

It was the strongest performance yet in the index-linked Ecu series, which is intended to protect investors against depreciation of the drachma.

Six previous three-year issues raised a total of Dr235bn last year. But the December offering at 10.5 per cent brought in only Dr18bn, with virtually no foreign participation.

The latest issue has comfortably covered the Government's borrowing requirement of around Dr130bn for January. Bank of Greece officials said they had expected the January offering would raise Dr80bn at most.

The bank had said earlier that monthly bond issues index-linked to the Ecu were planned for this year to meet increased borrowing needs caused by a sharp rise in the public-sector deficit. But officials said yesterday that there would be no such offering in February.

INTERNATIONAL CAPITAL MARKETS

US long bonds fall further after failed Refcorp sale

By **Janet Bush** in New York and **Martin Dickson** in London

THE LONG end of the US Treasury bond market continued to suffer yesterday in following what was unanimously regarded as a disastrous auction on Tuesday of $5bn in Resolution Funding Corp bonds, issued to finance the bail-out of the thrift industry.

The European government bond markets also dropped sharply at the opening in reaction to the Refcorp auction, but clawed back some of their losses in later trading.

■ IN New York at midsession, the benchmark long bond was quoted a little more than ⅛ point lower for a yield of 8.41 per cent, its highest level since early June 1989. At that time, prime lending rates stood at 11 per cent compared with 10 per cent currently and Federal funds were trading comfortably above 9 per cent compared with around 8¼ per cent now.

The sharp rise in the yield on long bonds clearly anticipates higher interest rates but also reflects the need for higher yields to attract demand for Treasuries. In the short-term, there is considerable concern about whether there will be enough demand to mop up the Treasury's quarterly refunding next month.

The Refcorp auction of 40-year bonds on Tuesday flopped but some bond traders said that this would have little effect on likely interest at the refunding. The Refcorp failure did, however, add to a sense of gloom which had already been deepening because of rising yields overseas which were making the Treasury market less attractive.

Short-dated maturities were marked up by about ⅛ point at midsession yesterday on a modest flight to quality from equities which plunged at the outset yesterday following sharp falls in stock markets in Japan and Europe.

The main economic focus for the market yesterday was the publication of the latest Tan Book of regional reports from Federal Reserve districts which is used as a guide to monetary policy decisions at the Federal Open Market Committee. The overall message of the Tan Book was that the economy continues to expand at a slow pace but there is some expectation of an improvement later this year.

The bond market hardly reacted to the report which contained few surprises. Significantly, there was no mention of recession and therefore no reason to think that the Fed is contemplating further easing.

■ IN BRITAIN, gilts opened down by up to ⅝ at the longer end in reaction to the Refcorp auction and at one point the yield on the benchmark Treasury 11¾ stock due 2003/07 was within a whisker of the psychologically important 11 per cent level. However, news later that Ford UK workers had voted against strike action helped sentiment and prices staged a partial recovery, with the 2003/07 quoted at the close around 105⅜, down ⅝ on the day, for a yield of 10.90.

Analysts noted that a considerable part of the steep decline in gilts since the start of the year had been due to inflationary concerns and that the Ford vote might ameliorate this worry. However, others said that while domestic bad news was largely factored into the market, it remained highly vulnerable to external shocks, particularly in the US and Japanese Government bond markets.

■ WEST GERMAN bonds dropped sharply at the opening, in response to Tuesday's plunge in US Treasuries, quickly losing 30 to 40 pfennigs. News that the Bundesbank had improved liquidity by adding a net DM4.3bn to the money market at its weekly securities repurchase tender had little impact, being in line with expectations, but prices recovered from their lows on a strengthening of the D-Mark against the dollar.

The Federal Government's 7¼ January 2000 bond was fixed at 96.70 after 96.86 on Tuesday, to yield 7.74 per cent after 7.71 per cent on Tuesday. In late trading it was quoted at about 96.75.

In the futures market, the March contract saw around 44,000 contracts struck and closed at 87.86, against 88.03 overnight, a high of 87.94 and a low of 87.60.

■ Dutch guilder bonds were up to a ¼ of a point weaker at the start in reponse to Wall Street but then outperformed the German market at the longer end, with the 7¼ November 1999 bond closing almost unchanged at around 94.65, for a yield of 8.30.

■ In France, there was a slide from the opening in response to the US gloom. On the Matif, the March Bond future closed down 18 basis points at 101.80, while in the cash market the 8½ March 2000 bond was quoted in late trading at a yield of 9.62, against 9.59 overnight.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-25	+11/32	12.37	12.24	11.27
		10.500	5/99	95-12	-3/32	11.30	11.18	10.51
		9.000	10/08	89-00	-10/32	10.34	10.21	9.64
US TREASURY *		7.875	11/99	96-20	+14/32	8.38	8.19	7.82
		8.125	8/19	96-21	+6/32	8.43	8.25	7.90
JAPAN	No 111	4.800	6/99	88.9587	-0.410	6.72	6.64	5.76
	No 2	5.700	3/07	93.4349	-0.380	6.51	6.47	5.67
GERMANY		7.000	9/99	94.6500	-0.230	7.80	7.65	7.18
FRANCE	BTAN	8.000	10/94	91.3320	-0.200	10.39	10.17	9.74
	OAT	8.125	5/99	90.8800	-0.220	9.63	9.51	9.11
CANADA *		9.250	12/99	96.0000	-0.275	9.89	9.82	9.47
NETHERLANDS		7.500	11/99	94.5100	-0.120	8.33	8.12	7.61
AUSTRALIA		12.000	7/99	96.9547	-	12.74	12.98	13.07

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

SBC unveils warrants on UK water package

By **Deborah Hargreaves**

SWISS Bank Corp (SBC) launched 100,000 call warrants on the UK water package yesterday following the rush of demand among Swiss investors to buy shares in the newly-privatised UK water companies.

The bank says it has seen a mix of institutional and retail demand for its covered warrants from both Switzerland and the UK. The warrants give investors a chance to take a longer-term view on the water issue as they extend over an 18-month period.

Options on individual UK water shares as well as the package of companies, are trading on the London Traded Options Market, but they currently do not extend beyond May. Swiss Bank believes its warrants will complement the options market for investors who want to buy time value.

The 100,000 warrants which will convert into 10,000 package units of shares in the UK water companies, were priced at £44.50 and can be exercised at any time from March 7 until they expire on June 26 next year. The strike price is set at £1,625 up to July 20 and £2,325 afterwards to reflect the second instalment due on each package.

SBC to issue Euro notes

By **John Wicks** in Zurich

SWISS BANK Corporation, of Basle, is to be the first Swiss borrower to issue a series of Euro medium-term notes.

Working through its offshore subsidiary SBC Finance (Cayman Islands), the bank will issue notes with a total value of US$1.5bn denominated in US, Canadian and Australian dollars, European currency units and yen.

To be sold by Goldman Sachs, Merrill Lynch, Shearson Lehman Hutton and the Swiss Bank itself, the notes will have maturities of one to 15 years and be listed on the Luxembourg Stock Exchange.

Belgium to reduce withholding tax

By **Tim Dickson** in Brussels

AFTER MORE than a year of agonised reflection, the Belgian Government has finally decided to reduce the country's rate of withholding tax on bond and bank interest from 25 per cent to 10 per cent.

The change, which applies only to new credits, takes effect from March 1 when the Government hopes to be able to demonstrate the wisdom of its move by launching a major new state loan with a lower rate of interest. This is in line with one of the main aims of the withholding tax cut, to reduce the costs of servicing Belgium's huge borrowing.

Mr Philippe Maystadt, Belgium's Finance Minister, said after the decision was confirmed on Monday, that interest rate differentials represented the main spur to cross-border capital movements after July 1 when the last restriction on capital freedoms are removed across the European Community.

The high rate of withholding tax – which largely affects individuals since companies and financial institutions can offset the charge against their other taxes, and foreigners are exempt – is widely considered to be one reason for the recent flight of Belgian capital to other financial centres. This trend speeded up at the end of last year – the latest figures for October and November show an outflow of BFr59bn – and for 1989 as a whole the exodus is likely to have been of the order of BFr140bn.

Another reason why the Government has been forced to act lies in the reduced amount of revenue collected from withholding tax on interest as Belgian investors have switched into tax-exempt "sicavs," or unit trusts. The "take" from withholding tax on dividends has continued to increase which is why the rate of 25 per cent will remain.

Mr Jean Claude Koeune, chief economist at Banque Bruxelles Lambert, says the two big questions for the Government are whether it can decrease the rate at which it borrows, and whether it can stem the outward tide of private capital. The answer to both may be partially supplied in March when the terms of the new loan are announced. According to one official hypothesis it should be possible to pitch the new rate at about 9.5 per cent, against the current market rate of about 10 per cent, leaving the individual Belgian saver with 8.5 per cent net of withholding tax, against 7.5 per cent previously.

Trickle of new issues almost dries up

By **Deborah Hargreaves**

THE TRICKLE of new issue volume in the Eurobond market almost dried up yesterday as investors shied away from bonds amid the depression gripping world government bond markets.

Few of yesterday's new issues were actively traded as prices declined in the primary sector and traders bemoaned a lack of deals in the pipeline.

A DM300m bond in the West German market for Asfinag – a company that finances motorway building – received a tentative welcome in a slow market. Deutsche Bank which brought the dealt to the market – paying 15 basis points under the 3-month London interbank offered rate – was forced to buy back some bonds from the syndicate after it started trading outside of syndicate fees at 99.75.

Other deals were aimed at specific sectors and did not see much trading yesterday. J.P. Morgan launched an Ecu65m offering for Crédit Foncier de France which is fungible with an existing Ecu150m deal that was launched in early December. Most of the deal was preplaced.

A Y15bn bond for Citicorp was issued by Nikko with a 7⅛ per cent coupon, maturing in 1993. It was not expected to see much trading.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Asfinag(a)‡◆	300	-15bp	100.10	2005	20/10bp	Deutsche Bank
SWISS FRANCS						
Hydro Quebec(b)◆	200	7¼	101¼	2000	2⅞	SBC
Autobacs Seven Co.(c)★★§	90	Zero	100	1994	1½	Nomura Bank(Switzerland)
Bremer Landesbank(b)★★◆	50	7½	100¼	1995	n/a	UBS
YEN						
Citicorp◆	15bn	7⅛	101⅜	1993	1⅜/⅞	Nikko Secs. (Europe)
Skopbank(b)◆	10bn	7⅛	101.60	1994	1⅝/1⅛	Nippon Credit Int.
ECUs						
Credit Foncier(d)◆	65	9⅞	97.85	1999	2/1¼	J.P. Morgan Secs.
Credit Local de France(e)◆	150	10¼	101¼	1995	1⅞/1¼	Credit Lyonnais

★★Private placement. §Convertible. ‡Floating rate notes. ◆Final terms. a) Coupon pays 15bp under 3-month Libor. Call after 5 years at par and on coupon dates thereafter. b) Non-callable. c) Put option 31/3/92 at 107$\frac{1}{16}$ to yield 3.229%. d) Fungible with Ecu150m bond launched in November 1989. Issue price plus accrued interest. e) Issue increased from Ecu125m. Non-callable.

Montreal to list option

By **Deborah Hargreaves**

THE MONTREAL Exchange which launched Canada's first government bond futures contract last September, plans to list an option on the futures contract in June.

Mr Bruno Riverin said the exchange is looking for volume to top 5,000 lots a day before going ahead with an option – the exchange already trades options on cash bonds. The exchange is also considering a futures contract on five-year government bonds.

The Montreal Exchange's 10-year bond futures has seen a gradual growth in volume as it has attracted international users. Activity in the contract reached 86,530 lots last year – after a September launch – which represents an underlying value of C$8.7bn.

The growth in the Canadian bond market – from C$42bn in 1982 to C$125bn last year – has led to a rise in foreign firms' interest in the futures contract, Mr Riverin said.

Airline agrees $400m deal

By **Stephen Fidler**, Euromarkets Correspondent

AUSTRALIAN Airlines, which last week announced the purchase of 13 Boeing 737 aircraft to replace its current Boeing 737 fleet, has agreed a US$400m debt facility from a group of international banks.

The financing is a $400m Eurocommercial paper facility, backed up by a committed financing provided by a syndicate of 17 international banks. Drawdowns on the committed facility, arranged by Macquarie Bank, and Goldman Sachs with Midland Bank as agent, will be secured against the new aircraft and engines. Drawdown will be 2½ years and maturity will be 12 years later.

Several aspects of the financing are unusual. The airline says it is the first time a secured committed facility has backed the issuance of unsecured notes. The committed financing amortises over 14.5 years, but the airline will be able to continue issuing notes for the full term of the facility.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Wednesday January 24 1990.

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jan 23 Index No.	Mon Jan 22 Index No.	Fri Jan 19 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (203)	887.31	-0.7	12.80	4.81	9.52	0.39	893.12	896.41	909.30	857.63
2	Building Materials (27)	1078.10	-1.6	14.61	5.25	8.53	0.00	1095.92	1103.39	1116.91	1080.47
3	Contracting, Construction (36)	1513.45	-0.7	16.40	5.21	7.98	0.04	1524.07	1527.18	1536.30	1601.77
4	Electricals (10)	2590.17	-1.1	10.39	4.80	12.10	0.00	2620.10	2597.85	2606.00	2486.13
5	Electronics (30)	1917.03	+0.3	9.38	3.77	13.79	0.00	1910.43	1925.68	1954.32	1946.81
6	Engineering-Aerospace (8)	452.27	......	13.28	4.88	9.29	0.04	452.47	453.86	458.30	0.00
7	Engineering-General (45)	475.79	-1.4	11.76	4.92	10.26	0.15	482.79	487.40	490.62	0.00
8	Metals and Metal Forming (6)	463.63	-0.1	25.43	6.49	4.44	0.00	464.08	464.31	465.39	487.94
9	Motors (16)	379.86	-0.4	13.96	5.55	8.40	0.00	381.35	379.67	383.51	284.87
10	Other Industrial Materials (25)	1600.30	-0.6	10.54	4.51	11.01	2.70	1609.64	1612.86	1658.93	1436.91
21	CONSUMER GROUP (179)	1264.39	-0.9	8.98	3.76	13.93	0.62	1276.23	1279.89	1298.33	1103.55
22	Brewers and Distillers (22)	1497.35	-0.9	9.57	3.51	12.98	0.00	1511.26	1512.18	1538.09	1215.83
25	Food Manufacturing (19)	1116.16	-0.7	9.73	3.96	12.76	1.48	1124.31	1121.46	1137.54	990.70
26	Food Retailing (16)	2264.09	-1.0	8.96	3.35	14.48	3.63	2286.21	2284.98	2297.28	1942.08
27	Health and Household (13)	2477.89	-1.4	6.32	2.64	18.85	0.83	2512.61	2530.12	2577.07	1946.75
29	Leisure (33)	1592.31	-0.7	8.45	3.72	14.58	0.24	1603.93	1607.34	1631.61	1447.35
31	Packaging & Paper (15)	574.82	-1.3	11.46	5.02	10.95	0.44	582.31	586.39	587.96	567.64
32	Publishing & Printing (17)	3531.60	-1.1	8.80	5.00	14.55	3.12	3571.99	3594.48	3637.67	3479.20
34	Stores (31)	770.49	-0.4	11.34	4.87	11.48	0.25	773.97	779.32	789.48	744.12
35	Textiles (13)	508.15	-0.7	11.38	5.98	10.66	0.00	511.89	511.25	519.13	500.90
40	OTHER GROUPS (102)	1151.74	-0.9	11.12	4.84	10.77	0.06	1162.52	1168.05	1182.93	971.85
41	Agencies (16)	1515.81	-1.9	6.97	2.37	17.61	0.05	1545.32	1563.28	1589.77	1170.08
42	Chemicals (22)	1196.62	-0.6	12.60	5.38	9.30	0.27	1204.15	1212.61	1229.84	1113.10
43	Conglomerates (13)	1589.54	-0.8	11.43	6.12	10.24	0.00	1602.55	1625.12	1650.08	1344.26
44	Transport (13)	2242.84	-1.1	10.79	4.28	11.81	0.00	2268.45	2278.94	2301.89	2043.57
46	Telephone Networks (2)	1184.08	-0.6	10.73	4.33	12.12	0.00	1190.85	1185.64	1201.90	1060.80
47	Water (10)	1999.83	+0.1	17.43	6.77	6.36	0.00	1997.17	1964.98	1970.22	0.00
48	Miscellaneous (26)	1848.61	-1.6	9.59	4.46	11.76	0.13	1879.09	1900.00	1921.50	1316.55
49	INDUSTRIAL GROUP (484)	1149.54	-0.9	10.59	4.35	11.55	0.40	1159.50	1163.73	1179.90	1020.70
51	Oil & Gas (16)	2268.06	-0.6	9.51	5.04	13.89	0.00	2281.60	2287.82	2331.25	1867.20
59	500 SHARE INDEX (500)	1243.38	-0.8	10.44	4.45	11.83	0.37	1253.69	1258.10	1276.46	1092.64
61	FINANCIAL GROUP (114)	829.10	+0.5	-	5.12	-	0.18	824.98	823.60	830.85	717.98
62	Banks (9)	868.38	-0.3	19.74	5.78	6.66	0.00	870.75	864.74	869.83	713.53
65	Insurance (Life) (7)	1363.17	+1.7	-	4.87	-	0.00	1340.82	1349.67	1370.47	1015.93
66	Insurance (Composite) (7)	710.71	+3.4	-	5.32	-	0.00	687.64	685.42	698.82	567.38
67	Insurance (Brokers) (6)	1138.49	+1.2	6.52	5.54	20.40	0.00	1125.13	1126.68	1132.14	969.14
68	Merchant Banks (8)	479.26	-0.5	-	3.71	-	0.00	481.80	481.13	478.88	331.74
69	Property (49)	1173.31	-0.6	7.82	3.66	16.18	0.11	1180.52	1183.58	1192.82	1255.77
70	Other Financial (28)	333.81	-0.9	12.63	6.31	10.39	1.04	336.72	337.86	337.78	369.86
71	Investment Trusts (68)	1212.32	-1.3	-	3.00	-	0.27	1228.30	1229.51	1237.44	1003.87
91	Overseas Traders (5)	1488.81	-1.1	9.28	5.32	12.40	0.00	1504.68	1514.03	1528.70	1339.76
99	ALL-SHARE INDEX (687)	1143.55	-0.6	-	4.51	-	0.32	1150.91	1153.98	1169.46	1000.63

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 23	Jan 22	Jan 19	Jan 18	Jan 17	Year ago
FT-SE 100 SHARE INDEX‡	2276.6	-12.5	2278.8	2250.5	2291.1	2297.1	2335.0	2336.9	2373.9	1939.0

FIXED INTEREST

	PRICE INDICES	Wed Jan 24	Day's change %	Tue Jan 23	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	114.26	......	114.26	-	1.33
2	5-15 years	124.26	-0.15	124.45	-	1.05
3	Over 15 years	133.54	-0.25	133.88	-	0.00
4	Irredeemables	150.21	-0.65	151.19	-	0.00
5	All stocks	123.50	-0.12	123.64	-	1.05
	Index-Linked					
6	Up to 5 years	140.48	-0.07	140.58	-	0.00
7	Over 5 years	136.91	-0.23	137.23	-	0.47
8	All stocks	137.06	-0.22	137.36	-	0.44
9	Debentures & Loans	102.76	-0.11	102.88	-	0.31
10	Preference	82.52	-0.99	83.35	-	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 24	Tue Jan 23	Year ago (approx.)
	British Government				
1	Low	5 years	10.86	10.78	9.19
2	Coupons	15 years	10.38	10.27	8.89
3		25 years	10.23	10.14	8.82
4	Medium	5 years	11.98	11.97	10.13
5	Coupons	15 years	10.69	10.65	9.37
6		25 years	10.29	10.24	9.02
7	High	5 years	12.11	12.08	10.38
8	Coupons	15 years	10.88	10.85	9.53
9		25 years	10.40	10.36	9.07
10	Irredeemables	†	10.25	10.18	8.84
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.24	4.20	3.54
12	Inflation rate 5%	Over 5 yrs.	3.81	3.79	3.67
13	Inflation rate 10%	Up to 5 yrs.	3.29	3.25	2.66
14	Inflation rate 10%	Over 5 yrs.	3.63	3.61	3.50
15	Debs &	5 years	13.17	13.10	11.75
16	Loans	15 years	12.62	12.60	11.39
17		25 years	12.61	12.60	11.03
18	Preference	†	11.21	11.09	10.16

‡Opening index 2267.6; 10 am 2254.7; 11 am 2262.6; Noon 2257.4; 1 pm 2255.6; 2 pm 2255.2; 3 pm 2253.2; 3.30 pm 2263.5; 4 pm 2269.7 (a) 2278.8 (b) 2250.5 † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	81	6
Corporations, Dominion and Foreign Bonds	1	11	28
Industrials	124	719	769
Financial and Properties	52	372	273
Oils	5	51	37
Plantations	0	3	7
Mines	71	38	51
Others	44	115	97
Totals	310	1,390	1,268

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	-	101	97	Abtrust New Thai Inv.	97	-2	-	-	-	-
§	F.P.	-	61	45	Do. Warrants	51	-4	-	-	-	-
$75	F.P.	-	86	81	§Air London 5p	86		R2.25	2.5	3.5	13.1
†	F.P.	-	30	23	*Analysis Hldgs. 20p	24	-1	-	-	-	-
240	100	-	176	100	Anglian Water	174	+½	R15.3	2.3	6.5	7.6
†	F.P.	-	98	53	Anglo-Park Group 35p	75	-3	5.0	3.0	8.9	4.1
-	F.P.	-	1½	¼	§Atlantic Res. Warrants	1½	+¼	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
240	100	-	182	100	Northumbrian Water	179	-1	R16.1	3.6	6.7	4.5
55	F.P.	-	72	55	*Oxford Virology 5p	65		-	-	-	-
†	F.P.	-	11	10	*Polysource Hldgs. 5p	10		-	-	-	-
10	F.P.	-	12½	10	Prospect Inds. 5p	11½		L0.3	k2.8	3.5	8.5
240	100	-	157½	100	Severn Trent	144	+1½	R14.85	3.0	7.0	4.8
$25	F.P.	-	40	25	§Storm Group 1p	36		-	-	-	58.1
†	F.P.	-	16½	12½	§Surrey Group 5p	14		R0.23	3.3	2.1	7.6
†	F.P.	-	195	195	Sutton Dist. Water A 1p	195		-	-	-	-
†	F.P.	-	130	130	Do. B 1p	130		-	-	-	-
-	F.P.	-	43	36	TR High Inc. Sub. 0.01p	43		-	-	-	-
240	100	-	169	100	Thames Water	155½	+1	R14.58	2.4	6.6	7.1
£2400	£1000	-	£1670	£1000	Water Package Units	£1625	+2	-	-	-	-
240	100	-	174	100	Welsh Water	173	-1	R16.75	2.9	7.1	5.3
240	100	-	182	100	Wessex Water	174		R15.21	2.6	6.5	6.5
240	100	-	186	100	Yorkshire Water	179	-2	R15.42	2.4	6.4	7.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
-	F.P.	-	85p	73p	Bear Brand 10¼pc (Net) Cv.Cm.Pf	75p	-3
98.94	F.P.	-	99$\frac{1}{16}$	94$\frac{1}{16}$	British Inv. Tst. 11¼pc Sec. Db 2012	94$\frac{1}{16}$	-¼
89.65	£30	-	30½	28⅝	Brixton Ests. 10¾pc 1st Mtg Db 2012	28⅝	-¼
$99.68	F.P.	-	100½	95⅞	Foreign & Col. 11¼pc Db. 2014 £100	95⅞	-¼
§	£50	-	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln 1999	55	
100	F.P.	-	100	97	Omnitech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
18	Nil	-	10½pm	6¼pm	Aviva Petroleum	8½pm	-½
280	Nil	-	27pm	19pm	Cook (Wm.) 20p	20pm	
110	Nil	-	14pm	8pm	Fisher (A.) 5p	10pm	-4
100	Nil	-	8pm	½pm	Medirace 10p	½pm	-¼
11	Nil	-	1½pm	¼pm	§Wharfedale 10p	½pm	+¼

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. n Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings — Jan 22
- Last Dealings — Feb 2
- Last Declarations — Apr 26
- For settlement — May 8

For rate indications see end of London Share Service

Calls in Norfolk Capital, Ferranti Intl., Mountleigh, Coloroll, Control Sec., Oliver Res., Laing Props., Britannic Assce. and Wm. Low.

LONDON TRADED OPTIONS

THE OPTIONS market traded record 1990 volumes yesterday. Business was high in equity options, due to the January expiry, and there was good two-way business in the index option, reflecting in large measure the performance of the underlying cash market.

The total market on the day traded 60,294 contracts, the highest daily volume recorded this year, and the highest since October 16 last year. Of the total, 32,860 trades were calls and 27,434 puts. The FT-SE Index option traded a total of 12,548 contracts – 2,394 calls and 10,154 puts.

Volume for individual stock options was high with much of the business in the near-month series. Hanson, BP, British Airways and Marks and Spencer traded heavily and acounted for some 27 per cent of te total business.

There was a technical trade in Hanson of 6,000 contracts in May 180 calls and May 180 puts. Hanson total volume on the day was 8,655 – 4,744 calls and 8,655 puts. The May 180 calls traded 3,075 and the May 180 puts 3,000 contracts.

BP traded 2,871 contracts – 1,625 calls and 1,246 puts. For BP, the busiest series was April 330 puts with 761 contracts. British Airways traded 2,577 contracts – 1,551 calls and 1,026 puts. The busiest series in BA was January 200 puts with traded 880 contracts.

Marks and Spencer traded 2,253 contracts – 2,013 calls and 240 puts. The January 180 calls was the busiest series with 1,056 contracts. The Water Package, fifth most active on the day, traded 1,804 contracts, all calls. The busiest series was May 1,550 calls which traded 1,000 of the total.

Open interest on the day was 899,698 for all classes and 113,932 for the FT-SE Index.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons	500	1½	32	44	10	23	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar	330	-	32	40	-	14	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Thames Water	140	1½	20	24	½	1½	4½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chrysalis records £11.5m loss as US problems bite

By Clare Pearson

FULL-YEAR results of Chrysalis, the entertainment and leisure group, yesterday showed just how tough the going had got in the company's records division before Thorn EMI took half the problem off its hands by buying a 50 per cent stake for up to $96.6m (£59m) last July.

Chrysalis as a group plunged into a pre-tax loss of £11.5m in the year to end-August 1989, compared with a £1.8m profit in the previous 14-month *period.*

The final dividend is maintained at 2p making an unchanged 4p for the year. The loss per share was 40.2p (earnings of 1.46p). The shares closed 1p higher at 146p.

Last year, the US part of the records business lost $21.7m (£13m). Some $7m of that representing write-offs of inventory as dealers returned records in the face of disappointing purchase levels. Disruption in the immediate wake of the joint venture with Thorn EMI also affected turnover.

Before the announcement of the deal, speculation about the future of Chrysalis' records division held up new releases as existing artists delayed putting them on the market and new recruits declined to sign up.

Chris Wright: US operation expected to stay in loss

Mr Chris Wright, chairman, said the US operation, which is now accounted for as a related company, was expected to continue in trading losses at reduced levels this year.

But UK records presented a much rosier picture. Volume in the first five months had been almost as high as in the previous twelve. During October, Chrysalis had seen five of its releases in among the top 20 singles at one point. After Christmas, Sinead O'Connor's new single Nothing Compares 2 U had sold 50,000 copies in about 10 days.

Mr Douglas Darcy, formerly the director in charge of the US part of Chrysalis Records, left the company in October. *He has since been replaced.* Chrysalis said this and other management changes had strengthened the running of the group.

The deal with Thorn EMI, which has so far paid Chrysalis $79m, gave rise to a £51.8m extraordinary profit. The company's balance sheet is much enhanced with shareholders funds increasing from £4.8m to £53m. It now has net cash of more than £11m.

Turnover was £95.59m (£117.03m). At the pre-interest level, the records division was responsible or a £9.9m loss, £8.4m worse than last time.

Group losses at the pre-interest level stood at £8.1m, against a £4.9m profit last time. A loss of £1.1m for property reflected provisions for the deteriorating London housing market. TV and Communications made only £100,000 (£500,000). However, this division is earmarked for expansion possibly through acquisitions.

Globe asset value up 10.6% at nine months

By Nikki Tait

GLOBE Investment Trust, Britain's largest investment trust, yesterday announced a 10.63 per cent rise in net assets during the nine months to end-December.

This suggests a small downturn in asset value during the last quarter of 1989. Net assets at the end of the nine-month period stood at £1.22bn, compared with £1.24bn at end-September. *Fully-diluted net asset* value per share after the nine months stood at 226.4p.

Meanwhile, the rise in net asset value since the start of Globe's financial year compared with an 11.95 per cent rise in the FT-A All Share Index over the same period. At the six-month stage, by contrast, Globe was easily beating the FT-A All Share.

The fund managers said yesterday that this weaker third quarter performance was largely due to a decision to increase liquidity and disinvest from the UK in the late-autumn. This caused the trust to miss out on the sharp upsurge in the London market in December.

However, given the stockmarket's movements since the start of 1990, they add that the trust is now "catching up again fast."

During the nine month period, Globe has significantly increased investments in continental Europe. These now account for around 8 per cent of total assets, in a mixture of cash and shares. The trust has also been reducing its North American exposure, but suggests that once election-related uncertainties in Japan are resolved, there could be some upside there.

In the unquoted portfolio, Globe said it had made a small downward adjustment in the valuation of its holding in MFI. The value of its stake in Isosceles, which won a successful leveraged bid for Gateway last summer, remains unchanged.

During the nine months, pre-tax profit was £34.5m (£26.5m), and attributable profit, £24.2m (£19.3m). Fully-diluted earnings per share were 4.49p (3.62p).

Globe shares fell 2p to 177p.

BAT hints at board succession

By Nikki Tait

BAT INDUSTRIES, the tobacco-based conglomerate which has been under bid threat from Sir James Goldsmith's Hoylake consortium, yesterday gave a strong indication of how the top board succession will proceed when Mr Pat Sheehy, the current chairman, retires next year.

It announced that Mr Michael Butt, currently chairman and chief executive of BAT's *Eagle Star subsidiary*, and Mr Martin Broughton, a finance director of the group, will join the Chairman's Policy Committee with immediate effect.

Mr Butt will also join the board of Farmers Group, BAT's US insurance subsidiary. Mr Broughton will assume new additional responsibilities for group personnel when Mr Tom Long retires at end-June.

Mr Butt has been mooted as the most likely candidate to take up Mr Sheehy's role next year, while Mr Broughton has been tipped to succeed Mr Brian Garraway, BAT's senior finance director – possibilities which appear to be given added substance by yesterday's announcement. BAT stressed, however, that nothing is definite at this stage.

Mr Broughton was previously in charge of Wiggins Teape, BAT's paper subsidiary. However, this is to be demerged, together with the US paper businesses, as part of the BAT restructuring plan – drawn up in response to the Hoylake agitation.

As a further repercussion of the restructuring, BATUS, the holding company for BAT's US interests, is being dismantled – a move which had already been signalled. The US tobacco business, Brown & Williamson, will now report directly to BAT.

Mr Hank Frigon, BATUS chief executive, is leaving the group and resigning from the BAT board at end-March. BAT said that it would be meeting *its contractual obligations.*

Meanwhile, sniping over last September's letter from the DTI to Hoylake continued yesterday. The letter, which came to light this week, gave notice that the DTI was considering objecting to Hoylake's acquisition of Eagle Star and Allied Dunbar, BAT's UK insurance subsidiaries.

Clay Harris examines the repercussions of Dominion's downfall

Investments too close to home

AMONG the smaller investors who stand to lose money from the collapse of Dominion International, the financial services and property group which has been forced to seek protection from its creditors, is the company's own pension fund.

The fund owns 50,000 shares in Dominion. Like other shareholders, it is unlikely to recover any money, according to Dominion's court-appointed administrators.

The probable loss underlines the dangers of self-investment – the purchase by pension funds of shares in their own companies. The practice has been criticised by the investment committee of the National Association of Investment Funds and will be severely restricted under pending legislation.

Other constituents of the Dominion fund's equity portfolio have fared little better. The equities in the fund were bought at a total cost of £272,000; they now have a market value of £142,000.

When the fund reduced its holding in Dominion from 100,000 shares to 50,000 shares in 1988, it re-invested the proceeds in UTC and Rutland Trust.

These shares were sold at a small profit shortly before Dominion's year-end.

The proceeds of that transaction, and additional cash, went into the shares of four USM-traded companies, all of which now stand considerably lower than the prices paid by the pension fund.

These last four purchases were 240,000 City & Westminster shares at 5p (now 1½p), 150,000 Clogau Gold Mines, since renamed Ferromet Group, at 17½p (now 5p), 54,000 JMD Group at 40p (now 14p), and 85,000 Apollo Watch Products at 29p (now 17p).

In spite of the fall in prices, Mr Carl Openshaw, Dominion's managing director and now a trustee of the fund, said: "There will still be sufficient assets in the fund to meet liabilities. That's because so many people have left the fund in recent years."

It has about 40 members at present.

In a letter dated July 26 1988, advising the fund to sell half its Dominion stake, Mr Clive Mattock, executive deputy chairman of the corporate finance group UTC, recommended that it buy shares in Imperial Chemical Industries and BAT Industries.

That advice was overruled by Mr Max Lewinsohn, at that time Dominion's chairman, who wrote "Yes, but I'm not keen on ICI or BAT" on Mr Mattock's letter.

Three of the final four companies chosen were corporate finance clients of UTC. Mr Mattock said this week: "I probably would have recommended the shares, but not in the context of the pension fund."

Carl Openshaw: "There will still be sufficient assets in the fund to meet liabilities. That's because so many people have left the fund in recent years"

Through a spokesman, Mr Lewinsohn said yesterday: "I have not recommended any shares."

In buying those in question, UTC was implementing the fund's policy of investing in "good second-line shares."

The policy was set by the fund's trustees at the time, Mr Lewinsohn and Lord Barnett. Both men resigned from the company *last year.*

In a letter to Mr Openshaw last August 28, after his departure, Mr Lewinsohn described UTC's remit as "to actively manage the portfolio with a *view to sound* long-term growth as opposed to short-term dealing considerations."

The fund also owns the right to certain ground rents which were sold to it by Dominion in the late 1970s and early 1980s. The fund's new trustees are Mr Openshaw and Mr Richard Elliston, the company secretary.

Mr Openshaw said that since his becoming trustee, all pension contributions had been put on deposit in high-interest accounts. Forty per cent of the fund's assets are now in cash.

Key stakes in defeat of Lewinsohn

MR MAX LEWINSOHN, former deputy chairman of Dominion International, the financial services and property group which has been forced to seek protection from its creditors, *told* two dissident investors shortly before the company's annual meeting in August that buyers had been found for their shares. They turned down two such offers.

If he had succeeded in moving the shares to friendly or neutral hands, Mr Lewinsohn would have strengthened his chances of surviving on the board. In the event, he resigned a few hours before the meeting on August 10 when it became clear that his opponents had enough votes to block his re-election.

Mr Lewinsohn and his personal assistant acted as a conduit for two offers to place the 5m shares owned by Mr Rupert Galliers-Pratt and his brother, Mr Nigel Cayzer. The first offer, *at 52½p* per share on July 31, would have involved a placing through Dominion's stockbroker Williams de Broe.

Three days after the brothers turned down that opportunity, they received a revised offer, which they also rejected, of 54p per share for a placing through the corporate finance house UTC.

This was partly because the prices offered fell far short of the 80p to 90p per share target which the two men had set in May when they signalled their intention to resign from the *Dominion board, and Mr Lewinsohn* agreed to find buyers *for* their shares.

Another factor, Mr Galliers-Pratt said, was a feeling that he "had a moral commitment to keep the shares until after the agm."

They still held the shares on September 21, when trading was suspended at 52p, never to resume. The brothers are likely to lose their entire £4.5m investment.

Mr Lewinsohn, on the other hand, sold more than half his own shares shortly after his resignation on the day of the agm. Because he was no longer a director, and because his holding was not otherwise large enough to be disclosed, the disposal was not *announced.*

Mr Lewinsohn, however, had notified Lord Barnett, then non-executive chairman, of his intention to sell the shares. Copies of the letter were sent to Mr Carl Openshaw, managing director, and Mr Richard Elliston, company secretary.

Some 1.4m shares were sold on Mr Lewinsohn's behalf by UTC, the corporate finance house, but he was left with 1m shares and 500,000 unexercised share options. Mr Clive Mattock, executive deputy chairman of UTC, said the shares were placed with two institutions, one of which had been interested previously in buying the Galliers-Pratt/Cayzer stake.

Norfolk seeks talks with Balmoral

By Andrew Hill

Norfolk Capital Group yesterday invited Balmoral International to discuss the disposal of a 12 per cent stake it holds in the hotel company *with Norfolk's brokers.*

Balmoral, a private Edinburgh company, wants to take over management of Norfolk and has threatened to sell its holding if the hotel company's shareholders do not approve their proposals at Monday's extraordinary meeting.

Norfolk claimed yesterday that Balmoral's threats indicated that the private company had recognised the unacceptability of its plan to Norfolk shareholders. The Edinburgh group dismissed the statement as "irresponsible and deliberately misleading".

Balmoral wants to instal three executives on *the Norfolk* board, oust the group's managing director and manage the company on a five-year contract, linked either to performance fees or share options.

Reliant blames adverse comment as shares decline

By Clare Pearson

Reliant Group, the vehicles and plastics group, last night said it had asked the Stock Exchange to initiate an inquiry after seeing its shares fall 6p to 26p during the day.

The group said this followed "irresponsible market rumours and adverse media comment."

Reliant said current trading was in line with the expectations of the directors, who remained confident for the future.

It recently announced a substantial expansion plan. Reliant changed shape in May last year when two housebuilding companies reversed into it. In June, it acquired rights to manufacture the Metrocab taxi.

The group yesterday *said* that shareholders should be aware that the results for the year to end-September 1989, scheduled to be announced soon, would show that the *property division* achieved its £3.25m pre-tax profit warranty and the industrial division made a small loss after rationalisation and reorganisation.

Other points last night stressed by *Reliant* were that of its 61 completed residential units, 42 had been sold subject to contract. Industrial activities had seen an upturn in demand for the restyled Reliant Robin.

Company of Designers sharply lower at £1m

By Andrew Bolger

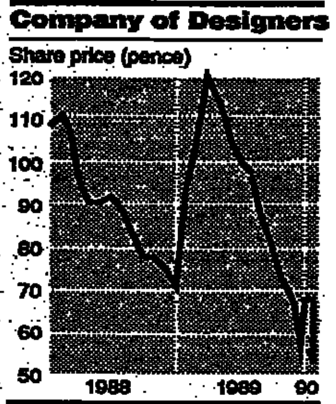
COMPANY OF Designers, the USM-quoted design consultancy, yesterday blamed catastrophic computer failures after revealing unexpectedly bad results. The group also announced the departure of the finance director.

CoD's profits dropped from £2.47m to £1.05m in the year to September 30, although turnover in the same period increased from £10.6m to £16.4m. The shares fell 15p to 53p.

Mr John Taylor, chairman, said: "These results are exceptionally disappointing, particularly in view of the fact that analysts were forecasting pretax profits of £2.2m. Against the background of an increase in turnover, it does warrant a great deal of of explanation."

Mr Tim Harrison, who in July came from Trafalgar House to take up the post of chief executive, said that in May there had been a complete failure of CoD's main computer in Southampton, with the loss of lots of figures. The computer crashed again in June and July. A replacement was ordered in August, but only now were all the figures on it.

Company of Designers



Mr Harrison said that in the intervening period invoices and accounts had to be written out by hand and management information was running three months late. So great was the backlog in information that it was only in the last few weeks that he had realised the extent of the profits shortfall.

Mr Geoff Mansell has resigned as finance director and will be replaced by Mr Norman Lockhart.

Mr Harrison said that as well as causing delays in invoice payments, the computer problems had delayed CoD's identification of problems at SP7, a Bristol-based advertising agency which lost £380,000 in the period. It was closed, and the closure costs of £50,000 had also been taken in these accounts.

Mr Taylor said the group had made considerable investment both in the UK and France, increased its number of staff from 345 to 502, and opened new offices. This had inevitably led to reduced margins, but he was confident of seeing the benefits of both increasing professional resources and improved market share in and well beyond the current year.

Earnings per share fell to 3.8p (10.2p). The board said that since it was entirely confident of an improvement of margins in the current year a final dividend of 2.25p had been recommended, making an unchanged total for the year of 3.5p.

£16.5m W German acquisition for Coates

By Andrew Bolger

COATES BROTHERS, the UK inks and resin manufacturer, has agreed to pay £16.5m for Hendricks & Sommer, a West German synthetic resin manufacturer, and its associated companies.

The present joint owners of Hendricks are Tate & Lyle, the international sweeteners group, and Mr Herbert Sommer, one of its founders. Coates was purchased in 1989 by Orkem, the French state-owned chemicals group.

Located at Tonisvort, near Dusseldorf, Hendricks produces resins and emulsions for the paint industry and through its associates sells polymer emulsions for floor polishes and textile and leather processing. It has 163 employees.

The group will join Cray Valley Products in the resin division of Coates and gives CVP a manufacturing base in West Germany.

Coates said it would also give Hendricks the opportunity to use CVP's worldwide sales network and benefit from the exchange of technology with CVP.

Mr John Youngman, Coates chairman, said: "This is a very important strategic move for Orkem and Coates, taking our resin activity into West Germany which, with the opening up of Eastern Europe and the implications of 1992, presents significant opportunities."

Continentals sink funds in UK

John Thornhill on the current European interest in Carron Phoenix

THE KITCHEN sink industry does not figure prominently in the thrusting world of international corporate competition. Nor does Falkirk rate much as a centre of financial intrigue.

But Carron Phoenix, a Falkirk-based kitchen sink manufacturer, has suddenly pushed both the town and the industry to centre stage as a result of an eagerly contested takeover struggle.

Within the last few weeks, three European companies have declared an interest in Carron, which claims to be the UK's leading manufacturer of kitchen sinks.

On Monday, Franke Holdings, a Swiss-based company believed to be the largest sink manufacturer in the world, raised its recommended offer for Carron from 73p to 90p per share, valuing the company at £10.3m or 75 times the company's 1989 earnings per share.

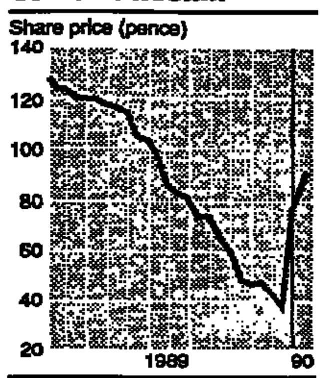
This superseded a £6.8m offer made in December by Groupe Bene, a private French company.

And last week it also emerged that Blanco, a West German sink manufacturer, had taken a 1 per cent stake in Carron, leading to speculation that it too might make a bid and stimulating Franke into proposing its higher offer.

Blanco subsequently raised its stake on Monday, buying 5,000 shares at 95p each, lifting its holding to 1.08 per cent.

But why is there all this interest in such a small and relatively obscure company and why are its continental rivals prepared to pay such seemingly generous sums for it?

Carron Phoenix



The reason is clear, according to Mr Colin Steedman, an analyst at Parsons Penney, the Glasgow broking firm. Carron offers a very good entry point into the UK sink market and one that is relatively cheap at the moment due to the straitened trading environment in the domestic products market.

Trade estimates suggest that the market for sinks in the UK is about 1.4m units a year of which stainless steel units account for about 900,000. Carron is estimated to have about a third of the stainless steel market and about 10 per cent of the non-metallic sector. Other major competitors in the field include Leisure, which is part of Glynwed International, the engineering group, and the Halifax-based Spring Ram Corporation.

Carron Phoenix originated in 1982 from a management buy-out of the stainless steel division of Carron, the metals company which made the guns for Nelson's ships at Trafalgar.

The management expanded the company's commercial activities and invested in new technology. In 1988 Carron spent more than £1.25m installing a computer-aided production plant which incorporated silquartz into a new range of luxury kitchen sinks. This enabled it to manufacture coloured sinks – much appreciated by designers – and helped expand its presence in the growing composite sink market.

Carron offers a very good entry point into the UK sink market as well as one that is relatively cheap at the moment due to the straitened trading environment in the domestic products market.

In January 1988, Carron was floated on the Unlisted Securities Market at 120p per share and the directors were optimistic about the group's trading prospects. The company was able to boast a wide range of customers, including many builders' merchants, the B&Q retail chain and the Magnet kitchen group. The company was bright about its prospects in the UK and claimed that there were significant export opportunities for its products, particularly in Canada, Greece, Cyprus and the Irish Republic.

But during 1989 the company experienced difficulties integrating an acquisition it made at the beginning of the year and it was badly damaged by the retail squeeze that developed during the course of the year.

The sink market was estimated to have fallen by about 8 per cent and this took its toll on Carron which reported a severe decline in pre-tax profits from £1.51m to £227,000 in the year to September 1989. Earnings per share were sharply lower at 1.2p (9.4p) and the final dividend was passed.

Mr Roddy Robertson, chairman of the Metal Sink Manufacturers' Association, said: "I think that, like all domestic consumer capital products at the moment, the sink market is suffering from high interest rates." And the quieter housing market had also resulted in lower sales, he said.

Doubts still swirl around the future fate of Carron. Bene might raise its offer to top Franke's latest bid or Blanco could enter the fray by making a full offer.

But Franke is seemingly in a strong position to win control. The Swiss group already owns 5.65 per cent of Carron's shares and has received irrevocable acceptances for a further 4.9 per cent from Kingsway Group.

A substantial 21.4 per cent block of shares held by 3i, the venture capital group, was also committed yesterday to the Franke offer, giving Franke control of just short of 32 per cent of Carron's equity.

Franke, it seems, is going to Falkirk, but as one of the company's advisers said yesterday: "In these situations, it's never over until it's over."

Camford Engineering rises to £5.8m

By Clare Pearson

CAMFORD ENGINEERING, the motor components manufacturer in which Markheath Securities, the UK vehicle for Australian businessman Mr John Spalvins, holds more than 29 per cent of the shares, raised pre-tax profits from £4.27m to £5.88m in the year to end-September 1989.

The company's brief results statement gave away little else about its performance. Mr John Gutteridge, finance director, said: "It is not board policy to announce very much."

But Mr Brian Cox, chairman, has in the past made no secret of his concerns about Markheath's stake, which is known to have risen recently above 29.1 per cent.

Mr Gutteridge said yesterday: "We still do not see any reason for him buying the shares that is good for the company. We believe he is only interested in its property."

A 20-acre development site at Stevenage is due to be released by transfer of Camford's former headquarters to a site at Letchworth.

Mr Gutteridge said Camford was seeking to sell the Stevenage land, but no deal had yet been concluded.

Turnover rose to £125.03m (£86.25m). Earnings per share were 18.8p (14.33p). The final dividend is set at 5p, making 6.3p (5p) for the year.

In April part of Rover Group's Llanelli-based plastic components business was purchased for 5 per cent of Camford's enlarged share capital. This acquisition was progressing well, Mr Gutteridge said.

Europe accounts for all but a minimal proportion of Camford's sales, mainly of metal parts for motor cars.

DIVIDENDS ANNOUNCED

Aberdeen Steak §........int	0.75	-	0.75	-	1.5
Assoc Nursing § ....int	1	-	-	-	2
Beales (John) ....int	2.05†	-	1.85	-	7.6
Brit B'stock § ....int	2.5	-	2.5	-	8.8
Camford ....fin	5	Apr 6	4	6.3	5
Chrysalis ....fin	2	Apr 6	2	4‡	4
Co of Designers§......fin	2.25	Mar 12	2.4	3.5	3.5
Cont Assets Tst ....fin	0.1	April	0.35	0.1	0.35
Floges § ....int	2.54♣	Feb 23	2.31	[illegible]	8.431
Gestetner ....fin	6	Apr 4	4.5	7.5	5.5
Highland Elect ....int	1	-	1	-	3.3
Logitek ....int	1.3†	Mar 23	1.2	-	3.6
Newman Tonks ....fin	5.5	-	5.1	9.3	8.5
Prop Security IT ....int	1.5	Mar 30	1.25*	-	3.125*
Specialeyes § ....int	nil	-	0.5	-	1.875

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Includes special dividend of 2p. ♣Irish currency throughout

PUBLIC WORKS LOAN BOARD RATES

Effective January 24

Years	Quota loans repaid by EPI†	At††	at maturity§	Non-quota loans A* repaid by EPI†	At††	at maturity§
1			14 3/8			15 1/8
Over 1 up to 2	14 1/8	14 1/8	13 5/8	15 1/8	15 1/8	14 1/8
Over 2 up to 3	13 5/8	13 1/2	12 3/4	14 5/8	14 1/2	13 1/2
Over 3 up to 4	13 1/8	13	12 3/8	14 1/8	14	13 1/8
Over 4 up to 5	12 7/8	12 3/4	12 1/4	13 7/8	13 3/4	13
Over 5 up to 6	12 5/8	12 1/2	12 1/8	13 1/8	13	12 5/8
Over 6 up to 7	12 1/2	12 3/8	12	13	12 7/8	12 1/2
Over 7 up to 8	12 3/8	12 1/4	11 3/4	12 7/8	12 3/4	12 1/4
Over 8 up to 9	12 1/4	12 1/8	11 5/8	12 3/4	12 5/8	12 1/8
Over 9 up to 10	12 1/4	12 1/8	11 3/8	12 3/4	12 5/8	11 7/8
Over 10 up to 15	11 7/8	11 3/8	10 7/8	12 3/8	11 7/8	11 3/8
Over 15 up to 25	11 1/8	10 3/4	10 5/8	11 5/8	11 1/4	11 1/8
Over 25	10 5/8	10 1/2	10 1/2	11 1/8	11	11

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Solid improvement reflecting acquisitions and organic growth

Newman Tonks advances 26% to £21.2m

By Richard Tomkins, Midlands Correspondent

A COMBINATION of acquisitions and growth from existing businesses took pre-tax profits at Newman Tonks, the Birmingham-based architectural hardware group, ahead by 26 per cent to £21.19m in the year to end-October 1989.

During the year Tonks spent £27m on building up a national distribution network in the UK for its door and window fittings through a series of acquisitions – notably Laidlaw Thomson and DA Thomas.

Overseas, it strengthened its continental presence through the acquisition of Normbau of West Germany, while the purchase of Falcon Locks in the US enabled it to supply a full line of architectural products to the American specification market.

Group turnover rose from £145.87m to £185.9m. Earnings per share advanced less quickly than profits because of the paper issued for acquisitions, but were still 13 per cent ahead at 17.88p (15.82p). A final dividend of 5.5p is recommended, making 9.3p (8.5p).

"The Newman Tonks group can now truly claim to be an international manufacturer and specifier of architectural hardware," the company said.

Tonks caters mostly for the commercial sector and about 50 per cent of sales are overseas, so the downturn in the UK housing market had little impact on the figures.

Mr Doug Rogers, chief executive, said a good all-round performance from the existing businesses had enabled them to produce half the overall increase in profits, with the rest coming from acquisitions.

He said some builders had been destocking in the UK because the mild weather had caused a slowdown in the plumbing and heating business, but Tonks's increasingly broad base led him to believe the group would have a satisfactory year.

On the group's 4.9 per cent stake in Frederick Cooper, the Walsall-based mini-conglomerate chaired by Mr Eddie Kirk, Mr Rogers remarked: "We exchanged Christmas cards, but there have been no further discussions."

● COMMENT

Boring is beautiful at Newman Tonks and there was no sense of disappointment at the sight of yet another year's solid but unspectacular earnings growth: many manufacturers would be pleased to do as well. But can Tonks keep it up? Probably. Whatever the state of the UK economy, there is plenty of market share to go for in the US and continental Europe, and the group will be deriving a full year's benefit from £50m worth of acquisitions brought in part-way through last year. The balance sheet is feeling the weight of the recent spending spree with gearing at 45 per cent, but a pause for breath on further purchases combined with a non-core disposal or two should bring it back into line. With analysts looking for £26.5m and a prospective yield of over 7 per cent, the p/e multiple of under 10 puts the shares at a deserved premium to the sector.

Specialeyes slips £698,000 into the red and passes dividend

By Andrew Hill

SPECIALEYES, the chain of retail opticians, slumped into loss in the 24 weeks to November 10, following the withdrawal last April of Government subsidies for eye-tests.

The group, which saw its shares floated on the Unlisted Securities Market at 77p in September 1988, warned of the poor results at the beginning of the month. Its shares slipped 1p to 22p yesterday.

Specialeyes lost £698,000 before tax in the first half, against a pre-tax profit of £337,000 in the equivalent period. The loss per share of 4.74p compared with earnings of 1.61p. The group is not paying an interim dividend.

Sales rose from £4.82m to £6.53m but the company said that was mainly due to the increase in retail outlets, from 38 to 67. The group now has 75 shops and said trade had been better in its 35 High Street stores, than in the remaining 40 concessions.

Specialeyes added that on a like-for-like basis sales had slipped by 27 per cent, compared with an estimate of 36 per cent for the whole market following the withdrawal of Government subsidies.

The group, the UK's third largest optical retailer, said it would not plan further expansion during the optical recession but that it expected trade to revive during the year as the effect of the Government action wore off.

Specialeyes said it also believed that its retail formula – which combines low charges with quick service – would help it to continue building market share.

During the first half, the group lost £106,000 on its partnership with KBB, the Netherlands group. The associate company, which started about a year ago, has closed down its original High Street outlets at an additional cost of £56,000.

Specialeyes also took the £136,000 cost of opening new stores in the UK above the line.

3i expands international mergers side via US link

By Charles Batchelor

3i (Investors in Industry), Britain's largest venture capital company, has teamed up with a US mergers and acquisitions broker to help medium-sized businesses make cross-border acquisitions.

3i Corporate Finance, which at present concentrates on arranging acquisitions in the UK, has formed a joint venture with Downer & Company, a specialist in helping US companies make acquisitions in Europe and European companies buy into the US.

The new company, Corporate Finance International, will be owned equally by 3i and Downer, but will be managed entirely by Downer.

Mr Neil Williamson, managing director, said a growing number of acquisitions arranged by 3i Corporate Finance had been of companies outside the UK and 3i needed to acquire international mergers expertise.

Corporate Finance International sees its main market among medium-sized companies making profits of $3m a year or more and contemplating acquisitions valued at between $15m and $50m. It will not compete with the merchant and investment banks for very large acquisition business.

Mr Charles Downer, chairman, said his company's approach was to consult databases, directories, industry associations and published company information to build up a picture of all possible target companies in the countries its clients had selected.

Few of the target companies identified by this approach were initially for sale, but owners could often be persuaded to sell to the right buyer.

Downer claims an 85 per cent success rate. Corporate Finance International will charge clients a retainer of $10,000 a month for a minimum of six months – though this sum can be set against its fee if it is successful.

Fees amount to 5 per cent of the first $2m of the purchase price, falling to 4 per cent on the second $2m and 1 per cent on amounts above $8m.

Flogas slips as raw materials costs increase

An increase in the cost of raw materials was a major factor in the decline of profits said Flogas, the Dublin-based supplier of liquefied petroleum gas, when reporting its results for the six months to end-November.

Pre-tax profits fell from I£1.32m to I£1.02m (£968,000) on turnover up from I£10.28m to I£10.94m. Tax took I£126,000 (I£118,000) after which earnings per share were left at 4.55p (6.17p).

Benefits from the acquisition of Ergas were beginning to flow through and would help towards achieving a doubling of the group's market share in the Irish Republic, the directors said.

Price increases had been implemented to reduce the impact of the higher supply price of liquid petroleum gas and the directors believed that the group would achieve satisfactory growth in the second half. An improved dividend of 2.54p (2.31p) is declared.

Richmond Oil incurs £279,000 midway deficit

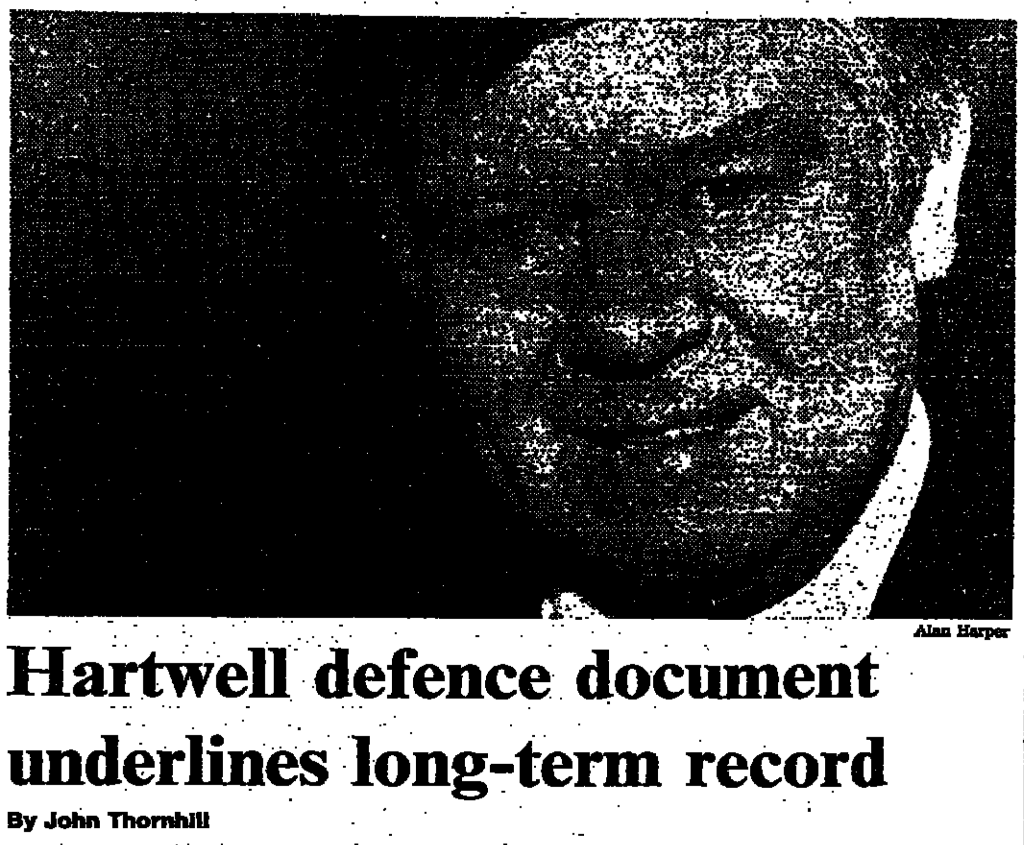
Richmond Oil & Gas, the start-up US company which joined the stock market in July, incurred a £279,000 net loss for the six months to September 30.

However, Mr David Wilkinson, chairman, pointed out that the results were for a period when no significant production had begun. The company, formed in July 1988, has interests in Texas, Louisiana and New Mexico.

It also announced yesterday that it was in talks to acquire Lone Star Royalty Corp, which owns small mineral and royalty interests in about 350 wells in Texas. The estimated value of Lone Star is put at $1m.

Turnover in the six months stood at £20,000 against £9,000 in the nine months to September 30 1988. Before tax there was a loss of £182,000, against last time's deficit of £322,000. Tax took £97,000 (nil). The loss per share came out at 0.5p (0.9p).

UK COMPANY NEWS



Alan Harper

Hartwell defence document underlines long-term record

By John Thornhill

HARTWELL, the Oxford-based motor and property group, has vigorously defended its trading performance against the criticisms made by Jameel Group, the Saudi Arabian company which is making a £151.3m bid.

In its defence document, posted to shareholders yesterday, Mr Peter Huggins, Hartwell's chairman (above), said the Jameel offer significantly undervalued Britain's third largest motor distributor.

The offer ignored the real value of Hartwell's property assets and disregarded its strong growth over the last decade, he claimed.

Mr Peter Barrett, finance director, said: "We have a trading record that stands full scrutiny with any other company in the sector. The whole thrust of our defence document is to point to the fact that we are a long-term company with a long-term record."

Hartwell claimed that £1,000 invested in the company on January 4 1980 would have been worth more than £9,000 on January 3 1990 – the day before Jameel announced its offer – representing a compound annual capital return to shareholders of 24.7 per cent before taking account of dividends.

The document also defended the acquisition last year of two motor groups for £29.2m, stating that they provided opportunities for substantial growth in the next decade.

Hartwell added that it would soon issue a valuation of its property interests and a profit forecast for the year ending February 28.

In response, Mr Rupert Carington, chairman of Oakhill, the subsidiary through which Jameel's offer is being made, said the Hartwell document gave no convincing reasons to expect any relief from the recent under performance.

Hartwell's shares were yesterday unchanged at 142p, compared with the 136p the Jameel offer is worth.

ICI closes gap in search for new partner

By Peter Marsh and Alan Friedman

IMPERIAL Chemical Industries, Britain's biggest chemicals company, is believed to be near to finding a partner to help it to commercialise a novel biodegradable plastic based on fermentation technology.

The company, through its Teesside-based biological products division, has had the plastic under development for several years. It has recently stepped up its search to link up with a group in the packaging field which could help find new markets for the material.

ICI's moves in biodegradable plastics come as Warner-Lambert, the US drugs company, announced a development of a similar material based largely on starch.

Both products could find widescale applications in packaging materials which disintegrate weeks or months after use. They could be one answer to the environment-related problems facing the packaging industry which has come under fire in recent years for the volume of its products which have to be discarded and end up in landfill sites.

ICI's material, called Biopol, is based on polyhydroxybutyrate, an organic substance formed by fermentation in large reactors.

Warner-Lambert has developed its substance, Novon, from starch – a naturally occurring organic material which in some ways has similar properties to petroleum-based plastics. Starch is found in a variety of crops including wheat, potatoes and rice.

The US company said Novon technology could eventually be used to produce substitutes for a wide range of materials. It believes it has made a breakthrough in producing a mainly starch-based plastic which can be formed by techniques such as injection moulding into shaped articles.

Other companies, such as Feruzzi of Italy and the US's Battelle, have worked on similar starch-containing plastics but they mainly involve only small amounts of starch.

Warner-Lambert said it has strong patents on its starch-based plastic. A number of companies helped the US group in its work, among them Scientific Generics, a UK consultancy.

NEWS DIGEST

Sharp rise at Assoc Nursing

ASSOCIATED NURSING Services, the USM-quoted owner and manager of homes for the elderly, achieved a sharp increase in profits in the 28 weeks to October 14 and is to pay a maiden interim dividend of 1p.

Profits rose from £273,000 to £1.78m pre-tax, while, at the operating level, they moved ahead to £2.15m (£408,000). Turnover advanced 71 per cent to £4.16m (£2.43m). Interest payable was sharply up at £373,000 (£135,000). After tax of £24,000 (credit £61,000), earnings soared to 32.1p (4.2p) per share.

The chairman said that all the group's divisions were progressing well and the board expected this to continue for the remainder of the year.

Property Security up 10% to near £3m

Taxable profits of Property Security Investment Trust rose 10 per cent, from £2.65m to £2.92m, in the six months to end-September.

In spite of its title, the group, which is involved in investment and dealing in property and securities, does not qualify as an investment trust.

Total rents receivable amounted to £6.42m (£5.18m). Net property and investment income, less administrative expenses, was £6.67m, up from £5.54m. Interest charges increased sharply to £4.52m (£2.94m), but dealing profit jumped from £51,000 to £773,000.

An interim dividend of 1.5p (1.25p adjusted) is payable from earnings of 2.16p (1.74p) per 50p share.

Logitek edges ahead to £1.31m halfway

Logitek, which expanded via two acquisitions during the six months to end-September, increased profits for the period by just £49,000 to £1.31m at the pre-tax level.

Mr Edward Langton, chairman, said the purchases of Advansys and Microtex had strengthened the trading position of the group which now generated a much greater proportion of its income from higher-margin value-added services and solutions than from its microcomputer distribution activities.

The group intends to continue to improve this balance, he said, and indications pointed to the two companies making a positive contribution to results in the second six months.

Turnover rose from £13.03m to £18.72m. The interim dividend is lifted to 1.3p (1.2p) from earnings of 6.69p (7.07p).

Wentworth Intl doubles to £285,000

Taxable profits of Wentworth International, the USM-quoted polythene and packaging manufacturer, rose from £140,000 to £285,000 after taking account of a £90,000 rise in interest charges to £120,000.

Turnover expanded by £2.76m to £6.23m and earnings improved from 1.8p to 1.93p per 10p share.

The directors intend to expand existing operations via increased production capacity and acquisitions.

Flat profits of £1m at John Beales

John Beales, which has textile, refrigeration and electrical interests, returned profits of £1.03m pre-tax for the six months to end-November, a virtual standstill on last time's £1.01m.

This followed a similar pattern for the previous full year when profits edged ahead by just £32,000 to £2.09m with an advance by the refrigeration and electrical interests being offset by a decline in textiles.

For the opening half of the current year turnover totalled £17.43m (£15.35m). Earnings declined to 12.9p (13.7p) but the interim dividend is lifted to 2.05p (1.85p).

Directors said the outlook for textiles remained unhelpful with little prospect of an increase in retail sales in the second half.

The refrigeration and electricals divisions enjoyed a good first half.

British Bloodstock stumbles into loss

The British Bloodstock Agency yesterday reported a pre-tax loss of £81,000 for the six months to end-September 1989.

This compared with profits last time of £332,000, but this time there were no exceptionals.

Last year's figures of this Newmarket-based USM-quoted company included an exceptional credit of £373,000. At the year-end it turned in pre-tax profits of £450,000 from turnover of £5.07m.

Gross revenue for the latest six months totalled £16.76m (£17.46m) and after recoverable tax of £9,000 (£21,000 recoverable), losses per share worked through at 1.2p (earnings 10.1p).

The directors are optimistic about the future of the group and are maintaining the interim dividend payment at 2.5p.

Hilclare improves 28% to £92,000

Hilclare, the Third Market-traded designer and manufacturer of electronic, electrical, security and lighting products, reported profits increased by 28 per cent for the six months to September 30.

At the pre-tax level there was an improvement from £72,000 to £92,000 on turnover almost doubled from £651,000 to £1.22m.

The directors said that the results were ahead of budget in respect of sales and profit before tax. The programme on product development had continued, the benefits of which would begin to come through in later periods.

Downturn at Highland Electronics

Highland Electronics Group saw pre-tax profits slip from £420,427 to £393,873 in the six months to October 31 in spite of an increase in turnover from £6.34m to £7.6m.

Directors said that while turnover in all divisions and subsidiaries was in line with budget forecasts, the economic climate, coupled with the decline in the value of the pound, reduced gross margins in the distribution companies with a consequent lower trading profit.

They added that increased turnover expected in the second half, coupled with reduced costs and interest savings from the Scottish manufacturing sale on October 31, should improve profits.

Trading results from the Scottish manufacturing division were included in the figures. Extraordinary profit arising from that disposal will be accounted for in the second half.

Tax for the period amounted to £130,000 (£140,000) and earnings per share emerged at 3.01p (3.2p). The interim dividend is maintained at 1p.

Avesco settles litigation

The litigation over the infringement of Quantel's paintbox patents by Microsystems has been settled. Avesco has agreed to pay £1.6m in full and final settlement of all claims against Avesco and any of its subsidiaries for infringement of these patents.

Avesco has already established provisions for the effects of the litigation which will cover this cost and consequently no charge against group profits will occur.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Daejan, Farepak, Fitch Lovell, McKay Securities, Misys, Newmark (Louis), Park Food, Raglan Property Trust, Resort Hotels, Sutherland.

Finals- Derby Trust, Hill & Smith, Kershaw (A), Lonrho, Rank Organisation, Warner Estate.

FUTURE DATES

Interims-	
YRM	Feb. 7
Finals-	
Associated British Ports	Mar. 15
Barclays	Mar. 1
Cadbury Schweppes	Feb. 28

Gold price hits 13-month high as shares slide

By Kenneth Gooding, Mining Correspondent

SLUMPING SHARE prices world-wide and a weaker US dollar sent speculators with "hot" money scuttling to buy gold bullion yesterday. The precious metal's price closed at $420.25 a troy ounce, up $10.50 on the day and the highest level for 13 months.

However, on the New York Commodity Exchange (Comex) the February gold futures price was late last night failing to stay above $420 an ounce, *which some analysts believe* could be the trigger for further significant advance.

Some analysts suggested that the best that could be expected in the short term was for gold to hold on to yesterday's gains or the price might drift down a little.

Ms Rhona O'Connell, precious metals analyst with Shearson Lehman Hutton, said: "I feel the price will come back a bit. There is no genuine retail demand in the US or demand from money managers worried about the gold price running away from them. There has just been a lot of hot money switching from other sectors."

Mr Michael Spriggs, analyst with Warburg Securities, said: "People reach for their gold bars when they feel stock markets are due for another (downward) correction."

Traders said that Middle East physical buying of gold started the hectic activity early yesterday and the price reached $424 an ounce at one stage. But the excitement quickly subsided and the afternoon gold price "fix" in London was very subdued.

Mr Andy Smith, gold analyst with UBS Phillips & Drew, pointed out that the market was now watching to see if the gold price could hold on to any break through the $420 an ounce barrier on Comex.

The $420 Comex price level triggers off a great deluge of hedge selling by gold producers, Mr Smith pointed out. If gold could overcome resistance at this level, however, there was nothing much to stop it "spiking" up to $460 an ounce before falling back to $420.

Peru strike 'costing $1m a day'

By Sally Bowen in Lima

COMPANY AND union officials in the 10-day-old strike at Centromin, Peru's biggest producer of zinc, lead and silver, say they are close to agreement on wage increases, but both sides expect miners' demands for indexation to prove a stumbling block. Direct negotiations resumed yesterday, and Mr Mario Samame Boggio, the Energy and Mines Minister, said that he expected the strike to be over in four or five days at the most.The strike is costing in excess of $1m a day, a company official said yesterday. Centromin declared *force majeure* on Monday, with effect from January 18.

Miners at the state-owned company began an indefinite strike on January 15 over pay *and conditions. Mr Jorge Quezada*, leader of the Mining Federation said that workers would march on Lima today in support of their claims.

All but one of Centromin's seven mines have joined the strike, the exception being Casapalca, the third largest of the company's zinc and lead producers, but second in its silver output table. Centromin's total silver output in the first ten months of 1989 was 315,000 kg out of a national output of 1,495,000 kg. Just over a quarter of Centromin silver production came from Casapalca.

Centromin is Peru's leading producer of zinc and, with 165,000 fine tonnes output in the first ten months of 1989, accounted for more than a third of Peru's zinc production of almost 491,000 tonnes. The *company's share of Peru's lead* output is of a similar order – from January to October 1989, Centromin produced nearly 61,000 tonnes out of a total national output of 159,000 tonnes.

Two-thirds of Centromin's lead, a third of its silver and over half its zinc come from the Cerro de Pasco mine, some 120 miles north-east of Lima in the high Andean plateau, which Mining Federation officials say is totally paralysed.

The strike's effects on national copper production should be less severe. Southern Peru Copper Corporation, currently working normally, accounts for around two-thirds of Peru's total copper output, while Centromin's production of 29,000 tonnes in the first ten months of 1989 was under 10 *per cent of the national total*

Japanese buyers agree price rise for iron ore

By Chris Sherwell in Sydney

CRA, THE Australian resources group, has reached agreement with Japanese steel mills for a 15.96 per cent increase in price for both its lump and fine ores.

"The settlement represents an average price increase of around US$3 per long ton and means that prices for fine and lump ore have increased by 31 per cent and 36 per cent respectively over the last two years," said Hamersley Iron, which controls CRA's iron ore operations.

At 39.15 US cents a long ton for lump ore and 31.03 cents for fine ore, the difference is the highest in the history of Australian iron ore pricing in Japan and reflects the continuing strong demand for lumps, the company added. However, it is thought to have been hoping for a bigger increase.

The settlement follows a similar agreement between Brazilian ore exporters and European steel mills.

In a separate development, CRA confirmed yesterday that shipments of iron ore to China had begun this month from its Channar joint venture project with the Chinese Government.

The project, 60 per cent-owned by CRA and 40 per cent by the China Metallurgical Import and Export Corporation, is located in the Pilbara region of Western Australia.

Initially the mine will produce 3m tonnes of iron ore a year, expected to increase to 10m tonnes by the mid-1990s.

Fresh merger talks for New York exchanges

THE NEW York Mercantile Exchange (Nymex) and the Commodity Exchange (Comex) said their respective governing boards have authorised negotiations for a consolidation of the two exchanges, **Reuter reports from New York.**

The exchanges, which have held previous formal discussions off and on for 10 years, have been holding informal discussions for several months, according to one board member. The last round of formal discussions between the two New York exchanges broke down in June 1988.

Late on Tuesday the executive committees of both exchanges met and agreed on a proposal calling for the formation of a joint governing board.

Cajoling farmers with lunch-box diplomacy

John Gummer, UK Agriculture Minister, sets out his views to **Bridget Bloom**

MR JOHN Gummer got to his feet, held aloft a red plastic lunch box and drew from it the sort of packaged food that anyone might choose for a mid-day meal. He remonstrated with his mixed farming and business audience that none of the items was 100 per cent British.

Mr Gummer, who has just completed his first six months as Britain's Minister of Agriculture, has taken to such tactics to alert farmers and Britain's food businesses that they must be much more competitive if they are to take full advantage of the single European market after 1992.

Farmers at last month's Oxford Farming Conference, where he was guest speaker at the opening dinner, seemed to appreciate the point of the message, although European Community diplomats there were markedly less enthusiastic. But Mr Gummer roundly denies all charges of chauvinism.

"I am a passionate European (and) there is no future for us except in the European Community," he said in an interview yesterday. "But I want our people to see the way Europe works. A Frenchman finds no difficulty believing wholly in Europe, and believing at the same time that poulet de Bresse is the best chicken in the world."

Mr Gummer followed up his tough criticisms of Britain's lack of competitiveness with a somewhat softer approach: there are some things which a government can do to help farmers and the food industry become more competitive and some where the constraints of EC membership make this difficult, he said.

As an example of the latter he cites the green pound, a subject of pervading bitterness with British farmers. They roundly complain of the competitive disadvantage – the lack of a "level playing field" – that the green rate system, which translates the EC's guaranteed prices into national currencies, means for Britain.

Mr Gummer points out that while he is wholly committed to phasing out the system, as agreed by the EC, in 1992, that commitment cannot be carried out automatically. He notes that British farmers' gain will be someone else's loss – in this case the Germans, who go to the polls later this year.

> It would be "disastrous" to follow an environmental policy that "made farming inefficient everywhere"

However, there are areas where the Government can cajole, prod or actively help. Mr Gummer has made a point of insisting that the parties to Britain's monopoly milk marketing arrangements themselves negotiate the radical changes necessary if they are not to face the "very serious consequences" for them of 1992. He says he does not want to threaten government action at this stage, but neither is he ruling it out if the parties fail to produce their own solution.

As for the majority of farmers, Mr Gummer admits that they are not necessarily very entrepreneurial and may need help with forming co-operatives and the like. But he still chides them, for example, for not taking up government grants which would help them with feasibility studies for new enterprises. "This worries me as an index of what is happening in the industry" he says.

On the broader front, one of the criticisms made of Mr Gummer is that he has not yet made a "keynote" speech indicating where he stands on the major issues of the day, whether the reform of the EC's farm policy (very much a preoccupation of his predecessor, Mr John MacGregor,) or new uses for land in a post-surplus era.

Although he is expected to address some of these issues in his speech to the National Farmers' Union annual meeting early next month, Mr Gummer starts by saying that today's agricultural outlook is more uncertain and fluid than it was two years ago, when reform of EC farm policy was paramount. Those reforms remain essential (although Mr Gummer notes the existence of "reactionary forces" in advance of the German election) but there are now new factors, ranging from the uncertain outcome of the international farm trade negotiations within the Uruguay Round to the recent profound changes in Eastern Europe.

On Eastern Europe, Gummer sees three phases: "The one we are in now, as we help to feed Poland and Romania, in particular," to a second, where "we help them to feed themselves." Here, Mr Gummer foresees great opportunities for British exporters, several of whom he hopes to take with him on planned visits to Poland and Hungary over the next few weeks. The third phase, however, could well result in a major increase in exports from Eastern Europe, threatening community trade.

All these uncertainties, and others such as the effects of global warming or pressures from consumers for more environmentally-friendly, less-productive farming at least begin to question recent assumptions about food surpluses and future land use, Mr Gummer maintains. "What will be critical is that we do not take land irrevocably out of production " he says.

As for the future of the EC's common agricultural policy, Mr Gummer believes that it will be important to aid small farmers and their livestock to remain in certain areas, like the Highlands of Scotland or central France, where otherwise there would be serious depopulation or countryside degradation. But he also appears concerned that the Commission, following policies espoused by Mr Ray MacSharry, the Agriculture Commissioner, may be in danger of trying to turn the CAP into a social policy designed principally for the inefficient small farmer

And while he comes across as a Minister concerned about "green" issues – "It is important that we look at all our grant-aided schemes in terms of their impact on the environment" – he can still say that it would be "disastrous" to follow an environmental policy that "made farming inefficient everywhere."

Although his youthful appearance and exuberant temperament may mitigate against the sort of gravitas usually expected of a *Cabinet Minister*, Mr Gummer's talk is all about finding the right balance between very conflicting and often very emotive issues. The current popular controversy over the "mad cow" disease, bovine spongiform encephalopathy, is certainly ensuring that he stays in the headlines as he tries to do just that.

When he took over as minister from Mr MacGregor last July, Mr Gummer emphasised that he would put the consumer first. Against the background of last winter's salmonella-in-eggs affair, which heightened food safety concerns, and in the midst of the current BSE affair, he makes no apology for having done so. But as the Food Safety Bill, which he launched recently, begins its long journey through Parliament, and in the wake of criticism from farmers themselves that he was not paying them enough attention, he is beginning to shift the emphasis somewhat now by declaring that (as salmonella showed) the interests of producers and consumers are indivisible.

Analyst reports surge in Norwegian oil production

By Karen Fossli in Oslo

NORWAY'S CRUDE oil production in 1989 surged by 29 per cent to 1.54m barrels a day, a record level, while its explorers added 700m barrels of oil and natural gas liquids (NGLs) and three trillion (million million) cubic feet of natural gas to reserves, according to an annual review by County NatWest WoodMac, the Edinburgh-based analyst.

Crude oil production increased despite a 7.5 per cent self-imposed production curb implemented in 1986 to help support world crude oil prices at higher levels. For 1990, the Government has eased its curb to 5 per cent for the first six months of the year, or by 90,000 barrels, after which it will be reviewed.

Two oil fields, Oseberg and Gullfaks, were major contributors to the production rise which also helped gas production increase by 5 per cent to 2.99bn cu ft a day.

According to the review, aggregate production in 1989 reached 563m barrels of oil and NGLs, falling short, for the first time in two years, of new reserves added by exploration.

Although exploration activity, which saw just 14 wells drilled, was at its lowest level since 1977, a success rate of 27 per cent was achieved. CNWM forecasts that exploration activity will pick up strongly this year, partly as a consequence of the 12B licensing awards in which a commitment of 17 wells has been made and because of a stabilisation of world crude oil prices, which averaged $18.22 a barrel, 18 per cent above the 1988 level.

In addition, 500m barrels of oil was added to Norway's reserves base by new information from existing oil fields, bringing total recoverable reserves to 41.1bn barrels.

Storm allays concern over Midwest wheat

By Nancy Dunne in Washington

A "BEAUTIFUL storm" which late last week swept the US Midwest has allayed concerns that a drought, for the second year running, would inflict heavy losses on the US winter wheat.

"This excellent soaking takes the pressure off," said Dr Norton Strommen, the chief meteorologist of the US Agriculture Department. "It provides the moisture we needed for early spring growth."

However, he said, two or three more storms would be needed this winter, followed by good spring rains if the crop was to realise its potential.

In its 90 day forecast, released on January 1, the US Weather Service predicted higher than normal precipitation in the winter wheat-growing areas of Washington, Oregon, Idaho and West Montana.

Malaysia reports 33% rise in palm oil stocks

By Lim Siong Hoon in Kuala Lumpur

MALAYSIA'S PALM oil output and stocks rose last year to record levels, surpassing official projections, according to government statistics.

Output advanced by 20 per cent from 5.03m tonnes in 1988 to 6.05m tonnes, instead of the 5.4m tonnes the Government had predicted. And end-of-year stocks were up by 33 per cent from 796,000 tonnes to 1.06m tonnes. The Palm Oil Registration and Licensing Authority revealed that last month's output was 531,000 tonnes compared with November's 638,000 tonnes.

Figures from the Statistics Department showed that Malaysia's monthly production last year had been consistently higher than in 1988.

While output rose, average quarterly crude palm oil prices fell steadily: 953 ringgit (£215) a tonne in the January-to-March period, then R920 in the second quarter, R725 in the third, and down again to R690 in October-December, the department said.

Malaysia exports nearly all its palm oil production in the processed form. From Peninsular Malaysia, where almost all the seed oil is processed, 4.57m tonnes were exported last year. The eight biggest buyers combined bought 64 per cent of the total.

The department's statistics also confirm declining purchases from India and Pakistan, which together bought 1.28m tonnes in 1988. Last year, Indian purchases fell by 65 per cent to 263,000 tonnes; Pakistan bought 12 per cent less at 464,000 tonnes. But partly compensating has been the emergence of China, Indonesia and Egypt as major new buyers, taking 429,000 tonnes, 325,000 tonnes and 211,000 tonnes respectively.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices closed at fresh 14-year lows yesterday in quiet trading, although March recovered to £572 a tonne after touching £565 during the day. Some dealers said the market should now find enough support to bounce back up. But others believed prices could continue to go down in the absence of supportive factors. On the LME nickel recovered Tuesday's losses following overnight news that Inco was reducing 1990 output by 5 per cent. The market was further underpinned by news that Falconbridge was ready to take any measures necessary to combat weak prices. Copper continued to retreat as Comex fell. Some commentators feel the market has become oversold and is overdue for an upside correction. However, current sentiment is being dictated by equity markets rather than fundamentals.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.50-6.60z	+.275
Brent Blend	$19.43-9.47z	+.175
W.T.I. (1 pm est)	$21.70-1.75z	+0.35
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$211-212	
Gas Oil	$165-166	-2.5
Heavy Fuel Oil	$85-87	-2
Naphtha	$196-198	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$420.25	+10.5
Silver (per troy oz)♣	534c	-5
Platinum (per troy oz)	$503.90	+5.65
Palladium (per troy oz)	$135.75	+1.30
Aluminium (free market)	$1455	
Copper (US Producer)	103⅝-106c	-0.5
Lead (US Producer)	40.5c	
Nickel (free market)	285c	+10
Tin (Kuala Lumpur market)	17.46r	+0.04
Tin (New York)	302.0c	
Zinc (US Prime Western)	68¼c	
Cattle (live weight)†	109.57p	+0.07*
Sheep (dead weight)†	209.16p	+14.5*
Pigs (live weight)†	83.73p	+6.03*
London daily sugar (raw)	$349.2x	-4.8
London daily sugar (white)	$423.0x	-3.5
Tate and Lyle export price	£325.5	-6.0
Barley (English feed)	£114.5w	
Maize (US No. 3 yellow)	£128.5	+0.5
Wheat (US Dark Northern)	£135	+5
Rubber (spot)♥	53.25p	
Rubber (Feb)♥	55.25p	
Rubber (Mar)♥	56.25p	
Rubber (KL RSS No 1 Feb)	224.5m	+0.5
Coconut oil (Philippines)§	$435t	
Palm Oil (Malaysian)§	$282.5w	+2.5
Copra (Philippines)§	$280	
Soyabeans (US)	£164.5w	-1
Cotton "A" index	75.15c	+0.20
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	631	629	636	628
May	646	643	650	642
Jul	660	657	663	658
Sep	675	672	678	672
Dec	697	696	701	695
Mar	716	715	718	714
May	729	725	730	727

Turnover: 5372 (6631) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 23 759.79 (746.61):10 day average for Jan 24 759.26 (757.58)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Jan	559	570	561	552
Mar	572	583	575	565
May	585	599	590	582
Jul	600	614	606	597
Sep	616	631	622	614
Nov	634	652	640	630
Jan	652	666	661	653

Turnover: 4007 (4732) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 23: Comp. daily 61.69 (62.52). 15 day average 62.83 (62.92)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	326.00	324.40	328.60	322.60
May	328.40	323.60	328.40	321.80
Aug	325.80	321.60	325.80	319.60
Oct	316.40	313.40	316.80	311.60
Dec	310.00		305.00	
Mar	295.60	293.00	296.00	291.00
May	295.20	291.80	295.00	
White	**Close**	**Previous**	**High/Low**	
Mar	422.5	420.0	420.0	416.3
May	423.0	422.0	421.0	418.0
Aug	426.5	424.5	425.6	422.5
Oct	393.5	392.0	392.5	391.0
Dec	367.5		365.5	
Mar	362.0	360.0	361.0	358.5
May	361.5	360.0	356.0	

Turnover: Raw 4461 (5949) lots of 50 tonnes. White 1040 (2279)
Paris- White (FFr per tonne): Mar 2404, May 2420, Aug 2460, Oct 2285, Dec 2160, Mar 2140.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Mar	19.36	19.27	19.49	19.02
Apr	18.90	18.82	19.00	18.65
May	18.58	18.45	18.58	18.40
Jun	18.08	18.22	18.08	
IPE Index	19.37	19.87		

Turnover: 11276 (8740)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Feb	165.25	166.00	166.50	161.75
Mar	161.25	162.00	163.25	158.75
Apr	158.00	159.25	159.50	156.00
May	156.75	157.50	157.25	154.25
Jun	155.50	156.50	156.75	154.50
Jul	155.00	156.00	156.00	155.00
Aug	156.00	156.50	158.00	

Turnover 10718 (11872)lots of 100 tonnes

WOOL

REDUCED interest rates in Australia have helped to weaken the currency and has made wool a little cheaper to overseas buyers. Other sources, especially South America, have depressed the world market for some time and led to large discounts on nominal quoted prices, particularly crossbreds. There is some sign in the world market of a modest revival in demand from the Far East, though not yet from China. The very gradual improvement in trade competition for wool in Australia has continued. Bradford market activity remains poor though some firms do say it is no worse than before Christmas.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,925 tonne
Cash	1441-5	1466-7		1450-1		
3 months	1445-84	1487-8	1485/1460	1471-2	1465-7	31,238 lots
Copper, Grade A (£ per tonne)						Ring turnover 20,100 tonne
Cash	1319-21	1340-1	1336/1320	1338-7		
3 months	1333-4	1355-6	1349/1328	1348.5-9	1344-5	59,343 lots
Lead (£ per tonne)						Ring turnover 6,850 tonne
Cash	422-4	418-20	425	425-5.5		
3 months	415-6	413.5-4	419/412	418-8.5	415-6	9,986 lots
Nickel ($ per tonne)						Ring turnover 924 tonne
Cash	6200-50	6075-125	6100	6110-20		
3 months	6100-20	5930-50	6300/6000	6000-25	6200-50	6,656 lots
Tin ($ per tonne)						Ring turnover 740 tonne
Cash	6525-35	6540-5		6575-80		
3 months	6855-60	6860-70	6720/6660	6695-705	6680-90	5,290 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,775 tonne
Cash	1284-7	1265-7	1285	1285-6		
3 months	1280-2	1264-5	1285/1255	1283-5	1282-5	15,341 lots
Zinc ($ per tonne)						Ring turnover 100 tonne
Cash	1265-75	1250-60	1295/1290	1290-300		
March 30	1230-40	1220-30		1260-70		1,304 lots

LME Closing £/$ rate: SPOT: 1.6570 3 months: 1.6303 6 months: 1.6089 9 months: 1.5844

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	199.5	200.0	201.0	199.0
May	225.0	225.0	224.5	223.0

Turnover 124 (89) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Apr	135.00	135.00	135.00	134.50
Jun	132.00		132.00	

Turnover 79 (220) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Jan	1646	1648	1650	1646
Feb	1618	1628	1625	1615
Apr	1641	1655	1653	1641
Jul	1390	1389	1400	1395
Jan	1508		1505	
BFI	1653	1663		

Turnover 425 (449)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Mar	114.30	114.20	114.60	113.90
May	118.35	118.35	118.60	117.90
Jun	120.00	120.00	120.20	119.85
Nov	108.65		108.60	
Jan	112.40		112.40	
Barley	**Close**	**Previous**	**High/Low**	
Mar	109.60	109.95	109.75	109.60
May	111.70	111.75	111.75	111.50

Turnover: Wheat 447 (341), Barley 102 (90). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	112.0	111.0	111.0

Turnover 5 (39) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	420-420½	253½-254
Opening	413¼-414¼	248½-250
Morning fix	413.75	249.487
Afternoon fix	420.75	253.510
Day's high	423½-424½	
Day's low	413¼-413¾	

Coins	$ price	£ equivalent
Mapleleaf	432-437	260½-263½
Britannia	432-437	260½-263½
US Eagle	432-437	260½-263½
Angel	432-437	260½-263½
Krugerrand	418-421	252¼-254¼
New Sov.	99-100	59½-60½
Old Sov.	99-100	59½-60½
Noble Plat	509.95-518.00	307.40-312.25

Silver fix	p/fine oz	US cts equiv
Spot	318.50	528.20
3 months	330.30	538.90
6 months	342.35	550.00
12 months	367.25	574.50

TRADED OPTIONS

Coffee	Mar	May	Mar	May
500	72			
550	29	61	7	16
600	6	25	34	40
Cocoa	**Mar**	**May**	**Mar**	**May**
600	35	61	5	16
650	8	33	28	38
700	1	15	71	70
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900	72	62	23	81
1950	42	34	45	
2000	22			

US MARKETS

VERY ACTIVE TRADE was seen in the metals due to the volatility of the U.S. dollar and stock market, reports Drexel Burnham Lambert. Gold prices peaked at $425, basis February in early action. Prices eased later on to post gains of $4.00. Silver futures also had a choppy session. After gaining early on, prices closed sharply lower. The March contract lost 8.2 cents. Technical selling weakened the copper. Lower stock prices also weighed on the market. In the softs, local buying pushed sugar and coffee prices up. Cocoa trading was mixed before closing down 19, basis March. The grains were again mixed but volumes increased over Tuesday. The livestocks had a strong sell-off in the bellies due to stops. Local activity weakened hog futures while cattle was mixed. Cotton and orange juice both fell sharply from technical selling. The energy complex featured two-sided trade for most of the day.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	422.0	413.0	422.0	419.0
Feb	417.8	413.7	425.0	416.4
Mar	422.1	416.3	427.0	421.0
Apr	423.2	419.4	431.5	421.0
Jun	428.7	424.8	438.5	427.0
Aug	433.0	429.9	439.0	433.0
Oct	444.0	435.2	444.0	444.0
Dec	443.5	440.4	451.0	442.5
Feb	450.5	445.7	456.5	449.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	504.0	497.8	504.0	503.0
Apr	511.0	504.6	515.5	506.5
Jul	514.0	511.0	522.0	513.5
Oct	522.0	517.7	524.0	522.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	521.5	529.4	0	0
Feb	521.7	529.9	0	0
Mar	525.8	534.0	541.0	524.5
May	534.2	542.4	550.0	533.0
Jul	542.4	550.6	559.0	541.0
Sep	551.0	559.2	563.0	552.0
Dec	563.0	571.2	578.5	564.0
Jan	566.8	574.8	0	0
Mar	575.4	583.5	593.5	580.0
May	583.3	591.5	596.5	596.5

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan 24	Jan 23	mnth ago	yr ago
1783.5	1794.0	1810.3	1987.0

DOW JONES (Base: Dec. 31 1974 = 100)	Jan 23	Jan 22	mnth ago	yr ago
Spot	127.54	127.08	128.25	141.05
Futures	129.77	129.74	129.96	143.80

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	99.10	100.10	99.10	98.00
Feb	97.40	98.15	97.40	96.00
Mar	96.60	97.45	97.00	95.00
Apr	95.90	96.40	95.90	95.00
May	95.70	96.65	96.10	94.60
Jun	95.50	96.25	95.50	95.50
Jul	94.90	96.00	96.00	94.00
Aug	94.60	95.75	0	0
Sep	94.25	95.45	94.80	94.00
Oct	94.05	95.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	21.72	21.60	21.90	21.25
Apr	21.06	21.02	21.16	20.71
May	20.65	20.63	20.74	20.39
Jun	20.28	20.28	20.36	20.05
Jul	19.92	19.92	20.00	19.75
Aug	19.62	19.63	19.65	19.50
Sep	19.38	19.40	19.45	19.30
Oct	19.25	19.22	19.25	19.20
Nov	19.13	19.11	19.13	19.10
Dec	19.10	19.05	19.06	19.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5945	5928	5950	5775
Mar	5735	5707	5760	5580
Apr	5545	5518	5550	5400
May	5380	5369	5380	5290
Jun	5245	5249	5250	5180
Jul	5200	5214	5220	5175
Aug	5240	5264	5245	5240
Sep	5330	5344	5375	5375

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	953	972	980	951
May	954	989	974	952
Jul	971	984	989	970
Sep	988	999	1005	988
Dec	1014	1023	1027	1013
Mar	1031	1032	0	0
May	1043	1053	1053	1053

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	80.53	80.06	81.35	79.56
May	81.89	81.50	82.50	80.80
Jul	83.65	83.50	84.30	82.60
Sep	85.60	85.25	86.25	84.30
Dec	87.80	87.63	88.50	87.25
Mar	90.05	89.88	0	0
May	92.30	92.13	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.85	14.71	14.85	14.59
May	14.83	14.65	14.84	14.58
Jul	14.64	14.48	14.66	14.43
Oct	14.23	14.08	14.24	14.03
Mar	13.42	13.34	13.42	13.28
May	13.30	13.20	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	65.95	66.79	66.45	65.80
May	67.35	68.00	67.65	67.15
Jul	67.65	68.30	67.91	67.50
Oct	65.56	65.66	65.90	65.65
Dec	64.60	64.67	64.80	64.30
Mar	65.60	65.30	65.60	65.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	195.15	204.50	202.25	194.60
May	199.65	204.85	202.95	199.85
Jul	199.50	204.80	202.50	199.50
Sep	192.00	197.00	195.00	192.00
Nov	189.75	194.75	190.50	189.75
Jan	186.25	191.25	186.25	186.25
Mar	184.45	189.45	0	0
May	185.25	190.25	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	566/0	567/2	572/0	564/6
May	579/0	580/6	584/4	577/6
Jul	590/0	591/4	595/4	588/6
Aug	593/4	595/0	598/4	592/4
Sep	593/0	595/4	597/4	593/0
Nov	600/6	601/4	604/4	598/4
Jan	610/2	610/4	614/0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.08	19.11	19.19	19.06
May	19.48	19.51	19.57	19.44
Jul	19.74	19.80	19.88	19.74
Aug	19.79	19.86	19.90	19.77
Sep	19.83	19.91	19.98	19.81
Oct	19.85	19.90	20.00	19.85
Dec	20.00	20.00	20.10	20.00
Jan	20.00	20.00	20.00	20.01

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	171.2	171.9	173.7	170.8
May	174.2	174.3	176.2	173.4
Jul	177.1	176.9	178.3	176.0
Aug	178.7	178.0	179.5	177.5
Sep	179.5	179.0	180.5	179.0
Oct	180.7	180.3	182.0	180.3
Dec	184.0	183.4	184.5	182.5
Jan	184.7	183.5	184.6	185.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	240/6	241/0	241/6	240/2
May	246/0	246/6	247/4	245/6
Jul	250/2	251/0	251/6	250/0
Sep	248/6	249/4	250/4	248/4
Dec	247/4	248/4	249/0	247/0
Mar	253/6	254/4	255/0	253/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	391/4	392/6	393/4	391/2
May	373/2	374/4	376/0	372/4
Jul	353/4	353/2	354/4	351/6
Sep	358/6	359/0	360/2	358/6
Dec	368/6	369/6	371/4	368/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.70	78.65	78.77	78.20
Apr	76.70	76.95	77.00	76.50
Jun	72.10	72.22	72.37	71.97
Aug	71.40	71.50	71.60	71.30
Oct	72.20	72.37	72.45	72.00
Dec	72.70	72.80	72.72	72.55

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.15	49.77	49.57	49.12
Apr	47.82	48.45	48.20	47.60
Jun	52.92	53.37	53.27	52.85
Jul	52.95	53.42	53.20	52.80
Aug	51.57	51.82	51.75	51.45
Oct	46.47	46.45	46.47	46.15
Dec	47.30	47.00	47.30	46.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	54.67	56.70	55.82	54.70
Mar	56.17	57.10	56.30	55.10
May	56.25	58.20	57.40	56.20
Jul	56.50	58.25	57.60	56.50
Aug	54.80	58.15	55.75	54.50
Feb	56.22	57.62	57.70	56.20

LONDON STOCK EXCHANGE

Rally after initial heavy downturn

UNSETTLING developments in overseas securities markets overshadowed trading in London equities yesterday. The heavy setback in Tokyo stocks overnight, together with the disappointing start to this week's auctions of US bonds, brought a substantial mark down in UK equities before official trading opened in London. But once again the investment institutions were slow to sell stock, and equities staged a determined recovery in the final hour of trading.

The recovery reduced the loss on the Footsie Index from 40 points to less than 13, and was spearheaded by strong rises among composite insurance stocks on hints of impending bid moves from French predators.

Account Dealing Dates		
First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 26
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 8.00 am two business days earlier

London's rally came as Wall Street opened the new session in slightly better form than expected – the opening loss of 50 Dow points had been widely predicted in London. It featured a substantial trading programme covering a wide range of leading stocks. Equities also responded positively to the vote against strike action by Ford Motor workers.

The initial fall took the FT-SE Index down to the 2,250 area, but by the close the Index had returned to 2,278.6 for a net fall on the day of 12.5. Traders noted the market's successful bounce, which took it back near to the 2,280-2,300 area seen as a possible support level. They commented that the institutions continued to see daily setbacks in the market as opportunities to pick up stock. Seaq volume at 527.9m shares improved significantly on recent levels; once again, the increase in volume came when shares were rallying.

However, many strategists sounded more cautious in view of the sharp downturn in the Tokyo equity market. Additionally upsetting London was the disappointing response to Tuesday's auction in the US of Resolution Funding Corp bonds. With US markets still facing further bond auctions this week and next, the outlook for Wall Street remains a cloud over the London market: yesterday's investment atmosphere not surprisingly resulted in record business so far this year on the London Traded Options Market.

Equities were also unsettled by a stern warning against interest rate optimism from Mr John Major, the UK Chancellor, in a speech suggesting a tough UK Budget.

● The London International Financial Futures Exchange will extend trading hours of the FT-SE 100 Index futures contract by 35 minutes with effect from March 26. The new daily floor trading period of 08.35 hours to 16.10 hours, which reflects the decision by the International Stock Exchange to amend the mandatory quote period for UK equity marketmakers, will also be adopted by the Traded Options Market for the FT-SE 100 Index and other contracts.

Big rises for the insurers

An insurance sector, bruised in recent weeks by many profits downgrades in the composite sector, burst into life, boosted primarily by hints that a takeover bid from France could be in the offing, but also by a number of brokers' buy recommendations.

All three insurance areas, lifes, composites and brokers, were looking dreary early in the session yesterday, suffering from the overall malaise affecting international stock markets. But sentiment began to pick up in mid-morning and by the afternoon share prices were racing ahead with composites posting the best gains.

The impetus behind the bid stories came from a report in a French newspaper which said that three of the leading French insurance companies, UAP, AGF and GAN, had been authorised to raise some FFr20bn or around £2bn. This sparked suggestions that they might launch bids in the UK insurance market.

With few sellers in evidence, and with marketmakers keeping trading books tight because of the recent steep falls in share levels, prices quickly accelerated and ended sharply higher on the day, although turnover was unremarkable. **Commercial Union**, where Sun Alliance has a 14.5 per cent stake, rose 14 to 500p, **General Accident** 21 to 1130p, **Guardian Royal**, also rated a potential target for Italy's Generali, 14 up at 244p and **Royals** 21 firmer at 532p. **Sun Alliance** added 8 to a close of 323p.

A note from UBS Phillips & Drew said that the reaction to the recent downgradings in the insurance sector had largely run its course; the sector had declined by 7 per cent since its peak and is back in the buying range."

Lifes also moved up strongly, **Legal & General** adding 12 to 392p and **Prudential** 4 at 214p, despite vague talk of possible rights issues in near future. **Sun Life**, where UAP has a neat 27 per cent stake, rose 10 to 1305p.

Hawker active

Hawker Siddeley fell quickly in busy two-way trade as analysts differed in their responses to a visit to the company on Tuesday.

On the bullish side was Henderson Crosthwaite, where Mr Richard Dyett issued a buy note. He said that Hawker was a counter-cyclical investment with a strong new management team. He singled out the company's involvement in railway electrification – "one area in the economy of strong growth in the next five years."

On the other side of the fence were BZW and County NatWest WoodMac. BZW contrasted its £220m profits forecast for the year to December 1990 with Henderson's £235m. At County, Mr Sandy Morris recommended switching out of Hawker into **IMI**, the engineering group. He said that Hawker had a high rating partly because was it often counted among electrical stocks, "although to all intents and purposes it is an engineering company." He said that the company was on a 10 per cent discount to the market while IMI stood at a 30 per cent discount.

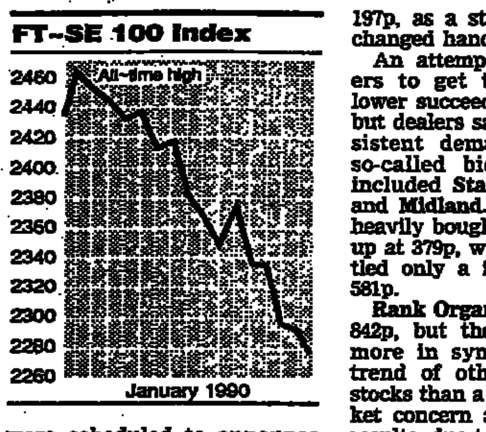
The latter argument seemed to win the day as Hawker slid 13 to 687p on strong turnover for the stock of 1.4m shares. IMI recovered from its weakness to close just 2 down on the day at 220p.

The water stocks performed well, "they were up when the market was under pressure and there was plenty of support in the market, on the defensive qualities/good yield basis," said one dealer. The **Package** closed 2 points ahead at £1625 after Swiss Bank Corporation issued a covered warrant in the Package.

Among the individual stocks **Thames**, the FT-SE stock, edged ahead to 155½p on turnover of 4.5m. **Severn Trent** added 1½ at 144p on 3.3m and **South West** 2 to 180p on 2.6m.

The oil majors closed with further small gains, upset by the market performance and also reflecting continuing concern over the quarterly results from the US majors; specialists highlighted the poor chemicals figures from Mobil, Texaco and Amoco. Shell Oil and Exxon were scheduled to announce quarterly figures last night.

FT-SE 100 Index



Shell dipped 5 to 446p on turnover of 4.3m while **BP** slipped 3 to 315p, after 312p, on 5.5m. **British Gas**, after the recent spate of weather-induced profits downgrades, managed a minor gain at 216p. "It's snowing in Edinburgh," chuckled one trader. **LASMO** retreated 8 to 577p on turnover of 1.6m after the company confirmed the flow rates at the Syrian oil discovery.

British Airways weakened once more as Mr Chris Will at Shearson Lehman Hutton trimmed his profit forecast for the company for the second time in a week. Last Wednesday, in common with other analysts, he took on board BA's warning on the impact of higher fuel prices. He cut the prediction then for the current year from £330m to £305m.

Yesterday's new number was £295m, with increased leasing charges also playing a part in his caution. The figures exclude a likely £20m gain from aircraft sales. He recommended buying the shares, however, on the grounds that they had underperformed the market by more than 7 per cent since the start of the year. BA closed 4 down at 199p, after 197p, as a steady 4.8m shares changed hands.

An attempt by marketmakers to get the bank stocks lower succeeded in most cases but dealers said there was persistent demand for all the so-called bid stocks which included **Standard Chartered** and **Midland**. The latter were heavily bought, closing a net 7 up at 379p, while Standard settled only a fraction easier at 581p.

Rank Organisation lost 13 to 842p, but the movement was more in sympathy with the trend of other international stocks than a reflection of market concern about the annual results, due today. Forecasts of group profits are tightly bunched around the £283m-£290m mark, having been trimmed back over the past few months on assumptions that the exceptional first-half performance of managed businesses has since slowed. Mr David Ireland of Hoare Govett expects £285m compared with last year's £255m. There is also the possibility that a scrip issue would be announced today, confided another analyst.

Most brewery leaders slipped with the market. The exception was **Grand Metropolitan**, down just a penny at 609p, amid speculation over of what was said at the company's presentation yesterday at Smith New Court.

One fund manager was said to have sold **Bass** heavily in the wake of the company's annual meeting on Tuesday. The shares slipped 14 to 1026p. Turnover was a busy 1.1m shares.

Chrysalis reported a full-year loss of £11.5m, compared with a £1.8m profit last time. This was more than discounted by the market, however, and the shares firmed a penny to 146p.

Profit-takers continued to take their toll of **Ranks Hovis Macdougall** after recent rises inspired by suggestions that the 29.9 per cent stake held by Sir James Goldsmith might become the springboard for a bid. The shares ended 8 off at 436p. The company holds its annual meeting today.

There was good two way trade in **Tate & Lyle** following the company's disposals on Tuesday. The shares slipped 4 to 300p as 4.1m changed hands.

The chemical sector outperformed the market, with **BOC** up a penny against the trend at 518p. Buying by Fleming and Smith New Court helped the price stay firm. The sector was perceived as strong defensively amid nervousness about the economy.

The waste disposal firm **Caird** also fared well, holding at 532p, still 18 stronger for the week. Stricter environmental legislation across the Atlantic convinced dealers that sales would remain buoyant, making it another defensive stock.

Profit-takers moved in at **Bristol Evening Post** leaving the shares 13 down at 350p. On Tuesday the price had risen as Mr David Sullivan, the publisher of the Sunday Sport, revealed a 7.4 per cent stake in the company.

Motor distributor **Hartwell** was ahead most of the day, although the shares closed unchanged at 142p. The company once again rejected the hostile bid from Saudi-controlled Jameel. Dealers said there was busy two-way business several pence above Jameel's 136p-a-share cash, a phenomenon that led some to believe a new and higher bid was on its way, perhaps from a thrid party.

The strength of the water issues spilled over into other privatisation issues. **British Steel** recovered from early weakness to close a ½ better at 131½p on average turnover of 6.1m shares. **Rolls-Royce** was firm all day helped by a story, confirmed before the market closed, that the company had secured an order from Alaska Airlines worth $450m. Rolls ended 2 higher at 179p on quiet turnover of 3.4m.

Ferranti climbed to 38p before closing a net 2½ ahead at 35½p with dealers and analysts taking the view that the sale of the radar division to GEC for £310m was a good move for Ferranti, "although it leaves the company as not much more than a second-liner," said to one observer. Turnover was 25m shares, after the 29m traded on Tuesday and the 10m on Monday. **GEC**, also stimulated by talk of a buy recommendation, moved up 3 to 232p on turnover of 11m.

Electronics components group **Crystalate** advanced strongly, touching 77p before ending the day a net 7 higher at 75p after revealing it had sold its loss-making telecommunications division, AP Besson for £5.6m.

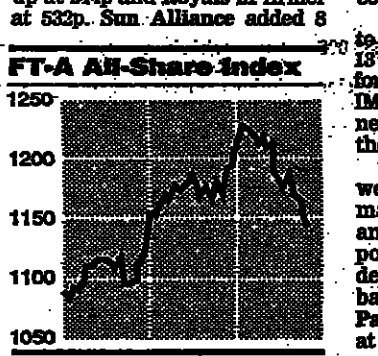
Coloroll fell 5½ more to 20½p, as the implications of Monday's profit warning continued to sink in. They are now 42½ off for the week so far. Dealers reported continued brisk trading, but said the muted bid speculation of Tuesday had disappeared. Most of the buying came in small deals, with one marketmaker saying: "They are taking the view that it's option money."

Shares in **Macarthy**, the health and household products company, rallied 2 to 225p. The price dropped sharply last week after results at the bottom of brokers' forecatsts.

The property sector was cowed by the warning from the UK Chancellor of the Exchequer against any hopes of an early cut in UK base rates but losses were small. **British Land** (394p), **MEPC** (498p) and **Hammerson "A"** (768p) were all on the downside but losses of up to 10p in such highly-priced stocks implied little selling

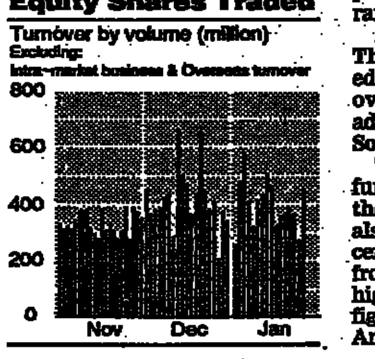
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 21

FT-A All-Share Index



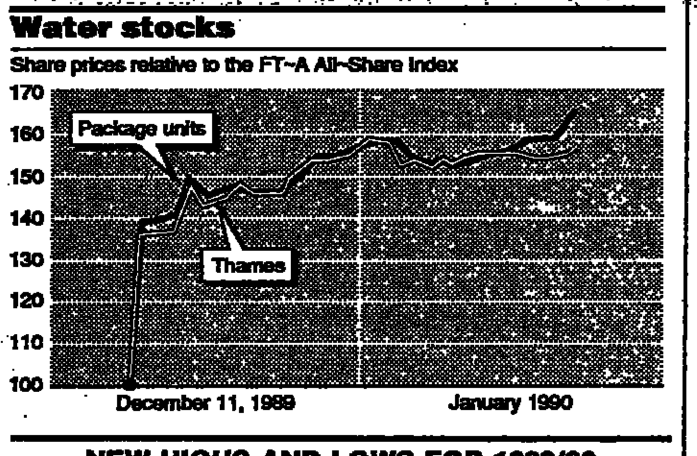
Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Water stocks

Share prices relative to the FT–A All–Share Index



NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (22) BRITISH FUNDS (2) AMERICANS (2) CHEMICALS (1) STORES (1) ELECTRICALS (1) FOODS (2) TRUSTS (1) MINES (13).

NEW LOWS (180). BRITISH FUNDS (71) INT.BANK & O'SEAS GOVT. STLG. ISSUES (9) FOREIGN BONDS (1) AMERICANS (9) CANADIANS (2) BANKS (2) BREWERS (3) BUILDINGS (4) CHEMICALS (2) STORES (6) ELECTRICALS (7) ENGINEERING (3) FOODS (1) INDUSTRIALS (16) Arley, BLP Grp., Co. of Designers, Coloroll, Creata Hldgs., Dobson Park, Johnson Matthey, Kleen-E-Ze, NMC 7.75pc Rd. Pf., Norcros, RKF, Reliant Grp., Savage, Third Mile Inv., Wilkes (J.), INSURANCE (1) LEISURE (6) PAPERS (6) PROPERTY (11) TEXTILES (4) TRANSPORT (3) TRUSTS (7) OILS (4) MINES (3).

FINANCIAL TIMES STOCK INDICES

	Jan 24	Jan 23	Jan 22	Jan 19	Jan 18	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.08	81.24	81.34	81.58	81.04	88.53	89.29 (8/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.11	91.40	91.42	91.50	91.89	97.03	99.59 (15/3/89)	91.11 (24/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1828.6	1839.6	1840.1	1868.0	1884.4	1580.8	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	357.2	319.2	321.8	329.4	342.8	171.0	357.2 (24/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2278.6	2291.1	2297.1	2335.0	2336.9	1939.0	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.67	4.65	4.65	4.57	4.56	4.64				
Earning Yld %(full)	11.42	11.34	11.33	11.15	11.16	11.65				
P/E Ratio(Net)(☆)	10.60	10.68	10.68	10.86	10.83	10.37				
SEAQ Bargains(5pm)	29,917	31,020	25,887	25,111	24,923	39,241				
Equity Turnover(£m)†	-	828.70	542.91	729.71	914.99	1948.92				
Equity Bargains†	-	29,983	24,277	24,128	24,565	41,020				
Shares Traded (ml)†	-	446.0	273.2	359.6	374.5	718.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55 Basis 1000 FT-SE 100 31/12/83 ☆ Nil 10.55

Ordinary Share Index, Hourly changes Day's High 1828.6 Day's Low 1807.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1823.7	1812.1	1816.7	1812.3	1810.7	1810.8	1809.0	1822.0

FT-SE, Hourly changes Day's High 2278.6 Day's Low 2250.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2267.6	2254.7	2262.6	2257.4	2255.6	2255.2	2253.2	2269.7

GILT EDGED ACTIVITY

Indices*	Jan 23	Jan 22
Gilt Edged Bargains	94.6	81.9
5–Day average	94.5	95.4

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	1,100	200	-2	Comm Union	764	500	+14	Lloyds Bank	2,500	282	-8	Sears	2,300	104	-1
ASDA Group	2,480	111	-2	Cookson	1,000	265	+4	LASMO	1,575	577	-8	Sedgwick	508	253	+6
Abbey National	4,400	175	-2	Courtaulds	950	370	-3	Lonrho	2,375	302	-2	Shell Transport	4,300	448	-3
Allied-Lyons	2,000	494	-8	Dalgety	486	397	-4	Lucas	808	645	+4	Siebe	776	447	-15
Amstrad	1,300	48	-2	Dixons	2,400	124	-2	MB Group	1,900	214	-2	Slough Ests	625	318	-3
Argyll Group	2,500	211	-4	Eng. China Clays	207	430	-8	MEPC	945	503	-1	Smith (W.H.) A	233	323	-2
Ass. Brit. Foods	615	389	-2	Enterprise Oil	307	633	-4	Marks & Spencer	3,500	181	-1	Smith & Nephew	2,700	123½	-1½
BAA	1,100	378		FKI	3,300	75	-1	Maxwell Comm.	813	209	-3	SmKl Beecham	2,200	551	-10
BAT Inds.	4,400	790	-14	Ferranti	24,275	35½	+2½	Mecca Leisure	548	157	-3	SmKl Beecham Units	18	2460	-50
BET	1,800	247	-2	Fisons	2,100	332	-5	Midland Bank	1,200	379	+7	Smiths Inds	1,100	257	-3
BICC	941	449	-3	Gen Accident	536	1130	+21	NatWest Bank	3,600	346	-1	Standard Chartd.	1,700	531	-1
BOC	1,600	518	+1	General Elect.	11,000	232	+3	Next	1,400	93	-1	Storehouse	2,100	117	
BPB Inds.	1,200	225		Glaxo	2,700	708	-8	Northern Foods	528	305	-2	Sun Alliance	793	323	+8
BTR	2,900	427	-3	Globe Inv	870	177	-2	Pearl	9	688		Sun Life	62	1305	+10
Barclays	2,300	552	+2	Glynwed Int.	378	244	-3	Pearson	236	714	-10	T&N	703	207	-1
Bass	1,040	1026	-14	Granada	1,300	335	-4	P & O	1,100	602	-3	TI Group	797	417	-3
Beazer	1,000	167	-2	Grand Met.	2,600	609	-1	Pilkington	1,000	218	-4	TSB	3,600	122	-1
Berisford Int.	236	142		GUS A	372	1023	-2	Polly Peck Intl.	2,400	395	-9	Tarmac	4,400	237	-7
Blue Arrow	1,800	88	-3	GRE	2,700	244	+14	Prudential	3,900	214	+4	Tate & Lyle	442	330	-4
Blue Circle	1,900	237	-9	GKN	1,300	420	-1	RHM	604	436	-8	Taylor Woodrow	471	292	-1
Boots	1,200	284		Guinness	1,400	646	-7	RMC	322	674	-8	Tesco	2,000	195	
Brit. & Comm.	1,000	85	-2	Hammerson 'A'	237	773	-5	RTZ	2,000	518	-1	Thames Water	4,500	155½	+1
Brit. Aerospace	642	539	-3	Hanson	11,000	219½	-2	Racal	6,800	219	-1	THORN EMI	739	758	-5
British Airways	4,800	199	-4	Hanson Warrants	823	55½	-1	Racal Telecom	704	360	-5	Trafalgar House	1,400	338	-2
British Gas	5,600	216	+1	Harrisons Cros.	759	145	+1	Rank Org	676	845	-10	Trusthouse Forte	1,400	256	
British Land	677	397	-7	Hawker Sidd.	1,400	687	-19	Reckitt & Colman	381	1202	-16	Ultramar	2,200	350	-5
BP	5,350	315	-3	Hillsdown	2,900	268	+1	Redland	1,000	548	-7	Unigate	536	329	-4
British Steel	6,100	131½	+½	IMI	885	220	-3	Reed Intl.	1,900	416	-5	Unilever	1,300	685	-4
British Telecom	8,050	288½	-2	ICI	2,000	1086	-10	Reuters	1,900	988	-19	United Biscuits	3,100	332	-2
Bunzl	2,200	110	-3	Inchcape	381	279	-5	Rolls Royce	3,400	179	+2	Utd Newspapers	198	423	-4
Burmah Oil	246	629	-4	Jaguar	5	849		Rothmans	390	635	-4	Wellcome	2,300	684	-14
Burton	1,200	195		Kingfisher	641	278		Ryl Bk Scotland	1,900	200	-2	Whitbread 'A'	1,000	335	-4
Cable & Wire.	1,980	523	-1	Ladbroke	3,050	307	-4	Royal Insurance	1,600	532	+21	Williams Hldgs.	862	232	-2
Cadburys	1,700	337	-3	Land Securities	1,700	505	+3	STC	3,800	243	-6	Willis Faber	714	277	+2
Calor Group	244	382	-5	Laporte	504	511	-4	Saatchi	360	235	-5	Wimpey	1,700	248	+1
Carlton Comms.	1,200	738	-10	Legal & General	1,400	391	+11	Sainsbury	1,700	254	-1				
Coats Viyella	731	135		Lloyds Abbey	635	315	+4	Scottish & New	1,600	321½	-6½				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

APPOINTMENTS

Guinness Brewing post

■ Mr Rob W.A. Hermans has been appointed business development director of GUINNESS BREWING WORLDWIDE, brewing division of Guinness. He was managing director - Europe of United Distillers, spirits company of Guinness.

■ DTS INTERNATIONAL, Slough, has appointed Mr Kelvin Beck as managing director. He was managing director and a founder of Digital Telephone Systems.

■ BRITANNIA SECURITY SYSTEMS has promoted Mr Stephen Wheatley from sales director, CCTV division, to national sales director.

■ Mr Tony Bates has been appointed finance director of EMI RECORDS UK from January 29. He was finance director of Habitat, and succeeds Mr Dineesh Upadhyaya who becomes finance director, continental Europe, for EMI Music Worldwide.

■ Sir Jeffrey Petersen has been appointed chairman of the UK board of AKE LARSON, a subsidiary of the Swedish company Ake Larson Byggare. After a diplomatic career (including three ambassadorships) he became chairman of Barclays Bank (Spain), and is now chairman of GVA International, and North Sea Assets.

■ Mr David Bland has been appointed director of taxes for OCCIDENTAL PETROLEUM (CALEDONIA) with taxation responsibility for UK operations. He joins from Ernst & Young, and was formerly a senior official in the Oil Taxation Office.

■ MAYNE NICKLESS, Melbourne, has appointed Mr Lindsay Bytheway, executive director finance and administration, to the new post of executive director UK and Europe. He will be based in London and takes up the post in March.

■ When Dr K.G. Sansom, chief executive of the Laporte businesses in Australia, returns to the UK he will be appointed to the main board of LAPORTE from April 17, when his responsibilities will include corporate planning.

■ BRITANNIC ASSURANCE is appointing company solicitor Mr Reg L. Bidmead as director and investment manager from May 11, following the retirement of Mr Frank P. Weavers. Mr A. Max K. Jourdier is to be promoted to investment manager from deputy investment manager on July 1. Mr Rupert H.M. Neal joins the company as an assistant investment manager on April 9.

■ Mr Stephen Headington, formerly with Grand Metropolitan, has been appointed managing director of Cityvision's newly-formed research and development company, CITYVISION ENTERPRISES.

■ Mr Raymond J. Hunter and Mr David J. Landon have been appointed directors on the management advisory board of TERRA NOVA INSURANCE CO.

■ Mr Malcolm Sisley, sales manager, has been promoted to director at MAGIBOARDS, Telford.

■ Mr Peter Yandle has been appointed marketing director of GARTMORE FUND MANAGERS. He was marketing director, Ross Young chilled foods division, United Biscuits. Mr David Piper, marketing services director, becomes corporate communications director.

■ Mr M.S. Younes, chairman of Baring Brothers & Co, Inc, New York, has been appointed a director of BARING BROTHERS & CO. The following have been appointed assistant directors: Mr L. Albrecht, Mr G.R. Bird, Mr C.N. Brown, Mr D.J. Church, Mr M. Greenburgh, Mr B.W.G. Grundy, Mr R. Julius, Mr J.O.D. Orders, and Mr P. Paris.

■ Mr Jonathan Strong has been appointed joint managing director of SPEYHAWK BUSINESS PARKS, and managing director of Speyhawk Investments. He was with Higgs and Hill. Mr James Dipple becomes a director of Speyhawk Business Parks.

Mr Rowley Ager *(above)*, corporate finance director of Tesco Stores, has been appointed company secretary of TESCO from February 25. He succeeds Mr Michael Boxall who has resigned to devote more time to working for the Church of England. In addition to his new duties Mr Ager will retain responsibility for the Tesco group's treasury function.

■ Mr C.V. Silver has been appointed a managing director of MARKS AND SPENCER. Mr R.W.C. Colvill, Mr P.G. McCracken, Mr P.L. Salsbury, and Mr A.Z. Stone become directors.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99⅞	98¾	Exch 11pc 1990‡‡	99¾xd	.....	[illegible]	[illegible]
101⅛	99⅛	Exch. 12½pc 1990	99⅞	+1/16	[illegible]	[illegible]
97⅝	91⅛	Treas. 3pc 1990	97⅝	+⅛	[illegible]	[illegible]
97¾	95⅝	Treas 8¼pc 1987–90‡‡	97¾	+1/16	[illegible]	[illegible]
98⅝	95¼	Treas. 8pc Cv 1990‡‡	97⅝	+1/16	[illegible]	[illegible]
98⅝	96⅛	Treas 10pc Cv 1990	96⅞	.....	[illegible]	[illegible]
93⅞	87⅞	Exch 2½pc 1990	93¼	+1/16	[illegible]	[illegible]
101⅞	97½	Treas 11¾pc 1991	97⅞	–1/32	[illegible]	[illegible]
93¼	89¾	Funding 5¾pc '87–91‡‡	92⅛	+1/16	[illegible]	[illegible]
90⅞	86⅛	Treas. 3pc 1991	89⅞	+1/16	[illegible]	[illegible]
100⅛	95¼	Treas 10pc Cv '91‡‡	95½	–1/32	[illegible]	[illegible]
101⅛	95⅞	Exch. 11pc 1991	96⅛	+1/16	[illegible]	[illegible]
94⅛	91⅛	Treas. 8pc 1991	91¼	–1/32	[illegible]	[illegible]
106⅛	98¾	Treas 12¾pc 1992‡‡	99⅛	–⅛	[illegible]	[illegible]
99½	94⅛	Treas 10pc 1992	94⅞xd	–⅛	[illegible]	[illegible]
94⅛	90⅛	Treas. 8pc 1992‡‡	90⅞	–⅛	[illegible]	[illegible]
100¼	94⅞	Treas 10½pc Cv 1992‡‡	95⅛	–⅛	[illegible]	[illegible]
85⅝	82¼	Treas. 3pc 1992	83⅝	+⅛	[illegible]	[illegible]
105⅞	98⅛	Exch. 12¼pc '92	98⅛xd	–1/16	[illegible]	[illegible]
109¾	100⅞	Exch 13½pc 1992	101¾	–1/32	[illegible]	[illegible]
94⅛	88⅞	Treas 8¼pc 1993	89xd	.....	[illegible]	[illegible]
100⅛	93⅛	Treas 10pc 1993‡‡	93⅛	+⅛	[illegible]	[illegible]
108¾	99⅞	Treas 12½pc 1993‡‡	100⅛	+⅛	[illegible]	[illegible]
88⅛	84⅛	Funding 6pc 1993‡‡	84⅝	–¼	[illegible]	[illegible]
113¾	103¼	Treas 13¾pc 1993‡‡	104¼	.....	[illegible]	[illegible]
94⅜	87⅞	Treas. 8½pc 1994	88⅛xd	+1/32	[illegible]	[illegible]
117⅞	107⅛	Treas 14½pc 1994‡‡	107⅞xd	–⅛	[illegible]	[illegible]
113⅞	103⅛	Exch 13½pc 1994	104	–⅛	[illegible]	[illegible]
100⅝	92⅞	Treas. 10pc Ln. 1994‡‡	93⅛	–⅛	[illegible]	[illegible]
110¼	100⅞	Exch. 12½pc 1994	101⅛xd	–⅛	[illegible]	[illegible]
96⅞	89	Treas 9pc 1994‡‡	89⅛	–1/32	[illegible]	[illegible]

Five to Fifteen Years

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108⅞	99⅛	Treas 12pc 1995	99⅞	–⅛	[illegible]	[illegible]
79⅞	72	Exch 3pc Gas 90–95	74¼	–¼	[illegible]	[illegible]
101⅞	93⅛	Exch. 10¼pc 1995	93⅞	–⅛	[illegible]	[illegible]
113⅞	103⅛	Treas 12¾pc 1995‡‡	104⅛	–⅛	[illegible]	[illegible]
119⅞	107⅝	Treas. 14pc '96	108⅛	–⅛	[illegible]	[illegible]
97½	87⅞	Treas. 9pc 1992–96‡‡	88⅛	–⅛	[illegible]	[illegible]
126⅞	114⅞	Treas 15¼pc 1996‡‡	114⅞	–⅛	[illegible]	[illegible]
117⅛	105⅞	Exch 13¼pc 1996‡‡	106⅛	–⅛	[illegible]	[illegible]
101⅛	91⅞	Conversion 10pc 1996	92⅛	–⅛	[illegible]	[illegible]
118⅛	106⅞	Treas 13¼pc 1997‡‡	107⅛	–⅛	[illegible]	[illegible]
104⅛	94⅛	Exch 10½pc 1997	94⅛xd	–⅛	[illegible]	[illegible]
95⅞	86⅛	Treas 8¾pc 1997‡‡	87xd	–⅛	[illegible]	[illegible]
128⅛	114⅛	Exch 15pc 1997	116	–⅛	[illegible]	[illegible]
100⅞	90⅞	Exch. 9¾pc 1998	91⅛	–⅛	[illegible]	[illegible]
84⅞	76⅛	Treas 6¾pc 1995–98‡‡	77⅛	–⅛	[illegible]	[illegible]
134⅛	120⅞	Treas. 15½pc '98‡‡	121	–⅛	[illegible]	[illegible]
113⅞	102	Exch. 12pc 1998	102⅛	–⅛	[illegible]	[illegible]
100⅛	90⅛	Treas 9½pc 1999‡‡	90⅞	–⅛	[illegible]	[illegible]
115⅞	103⅛	Exch. 12¼pc 1999	104⅛	–⅛	[illegible]	[illegible]
105⅞	94⅞	Treas. 10½pc 1999	95⅛	–⅛	[illegible]	[illegible]
104⅛	93⅛	Conversion 10¼pc 1999	93⅞	–⅛	[illegible]	[illegible]
94⅛	84⅛	Treas. 8½pc Ln 2000‡‡	84⅞xd	–⅛	[illegible]	[illegible]
97⅛	87⅛	Conversion 9pc 2000‡‡	87⅞	–⅛	[illegible]	[illegible]
122⅞	108⅞	Treas. 13pc 2000	109⅞	–⅛	[illegible]	[illegible]
103⅞	92⅛	Treas 10pc 2001	92⅞xd	–⅛	[illegible]	[illegible]
124⅞	111⅛	Treas. 14pc '98–01	111⅞	–⅛	[illegible]	[illegible]
102⅛	90⅛	Conversion 9¾pc 2001	91⅛xd	–⅛	[illegible]	[illegible]
113⅛	102⅛	Exch. 12pc '99–02	102⅛	–⅛	[illegible]	[illegible]
104⅞	92⅛	Conversion 10pc 2002	93⅛	–⅛	[illegible]	[illegible]
102⅞	91⅛	Treas 9¾pc 2002	91⅛xd	–⅛	[illegible]	[illegible]
97⅞	86⅛	Exch. 9pc 2002	86⅛	–⅛	[illegible]	[illegible]
126⅞	113⅛	Treas. 13¾pc 2000–03	113⅞	–⅛	[illegible]	[illegible]
105⅛	93⅛	Treas 10pc 2003	93⅞	–⅛	[illegible]	[illegible]
113⅞	100⅞	Treas. 11½pc 2001–04	101⅛	–⅛	[illegible]	[illegible]
106⅛	93⅛	Treas. 10pc 2004	94⅛	–⅛	[illegible]	[illegible]
59⅞	51⅛	Funding 3½pc '99–04	52⅛	[illegible]	[illegible]	[illegible]
102⅛	90½	Conversion 9½pc 2004	91	–⅛	[illegible]	[illegible]

Over Fifteen Years

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
103⅛	90⅛	Conversion 9½pc 2005	91⅛	–⅛	[illegible]	[illegible]
111⅛	98⅛	Exch.10½pc 2005	98⅞	–⅛	[illegible]	[illegible]
125⅛	110⅛	Treas 12½pc 2003–05	111⅛	–⅛	[illegible]	[illegible]
90⅛	79⅛	Treas. 8pc 2002–06‡‡	79⅞	–⅛	[illegible]	[illegible]
118⅞	105⅛	Treas. 11¾pc 2003–07	105⅞	–⅛	[illegible]	[illegible]
96⅛	84⅛	Treas 8½pc 2007‡‡	84⅞	–⅛	[illegible]	[illegible]
134⅛	118⅛	Treas. 13½pc '04–08	119⅛	–⅛	[illegible]	[illegible]
101⅛	88⅛	Treas. 9pc 2008‡‡	89⅛	–⅛	[illegible]	[illegible]
94⅛	88⅛	Treas. 9pc 2008 B.	89⅛	–⅛	[illegible]	[illegible]
92⅛	80⅛	Treas 8pc 2009	80⅛	–⅛	[illegible]	[illegible]
102⅛	88⅛	Conv 9pc Ln 2011‡‡	89⅛xd	–⅛	[illegible]	[illegible]
68⅞	59⅛	Treas. 5½pc 2008–12‡‡	59⅞	–⅛	[illegible]	[illegible]
89⅞	77⅛	Treas. 7¾pc 2012–15‡‡	77⅞xd	–⅛	[illegible]	[illegible]
132⅛	114⅛	Exch. 12pc '13–'17	115⅛	–⅛	[illegible]	[illegible]

Undated

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
45⅝	38⅛	Consols 4pc	38⅞xd	–⅛	[illegible]	[illegible]
40⅛	34⅛	War Loan 3½pc‡‡	34⅛	–⅛	[illegible]	[illegible]
70⅞	59⅛	Conv. 3½pc '61 Aft.	60⅛	–⅛	[illegible]	[illegible]
41⅛	30⅛	Treas. 3pc '66 Aft.	30⅛	+⅛	[illegible]	[illegible]
30⅛	23⅛	Consols 2½pc	24⅛	.....	[illegible]	[illegible]
29⅛	23⅛	Treas. 2½pc	23⅞	–⅛	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1989: 115.0 and for December 1989: 118.8.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1989/90 High	1989/90 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
12	868p	♦Bio-Rad Labs. A	972p	–19	–	–	–
20¼	15¼	Bowater Inc.	15¾	+⅛	$1.20	–	4.6
12⅞	7⅞	Brunswick 75c	7¾xd	–⅛	44c	–	3.4
46⅝	28⅞	CPC Intl. 25c	40¼	–⅛	$1.80	–	2.7
[illegible]							

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
•303	216	ANZ SA1	288	–3	44c	1.4	7.3	9.7
191	134	Abbey National 10p	175	–2	L7.7	2.7	5.9	7.1
•282	120½	Allied Irish Ord	269	–10	m068%	3.3	3.0	13.9
£13½	£11⅝	Algemene Fl.10	£12¼	–⅛	Q28%	2.0	7.4	6.7
•80	61	Anglo Irish	73	....	Q18.7%	2.7	6.0	10.0
61	57	Ansbacher (H.) 1p	73	....	2.0	–	3.7	–
£72¼	£38¼	Bancaire Cie Fr100	£62½	–1½	Q12¼%	–	2.1	–
£46½	£35½	Banco Bilbao Viz	£39¼	......	Q25.7%	2.0	3.5	14.4
£33	£26⅝	Banco de Santander	£27⅝	....	Q21%	2.4	2.9	14.3
•286	169	Bank Ireland Ir£1	272	–9	m012%	3.2	4.3	9.3
£19½	£17½	Bank Leumi	£19½	....	–	–	–	–
350	345	Bank Leumi (U.K.)	345	....	t13.5	–	5.2	–
125	88	Bank Scotland	115	....	13.8	3.6	4.4	8.3
111¼	95½	Do. 9¼pc Irrd Pf	96	–½	9¼%	–	12.8	–
•67	49	Bank of Wales	54	....	2.8	1.6	6.9	11.3
•582	404	Barclays £1	552	+2	t23.0	3.5	5.6	6.3
31	19	Benchmark 20p	20	....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	320	....	t10.5	–	4.4	–
455	325	Cater Allen £1	412	......	23.5	–	7.6	–
259	157	Chancery	172	–3	t8.0	2.8	6.2	7.6
£23	£14½	Commerzbk DM10	£20⅞	–⅞	Q18%	–	3.2	–
•£29	£22½	C'hgn Hbk Kr100	£26½	–⅛	SrQ15%	–	5.3	–
£16⅞	£10⅞	Dai Ichi K Bk Y50	£12⅛	–⅛	•Q16%	8.8	0.3	41.0
•£314¼	£156¼	Deutsche Bk DM50	£286¼	–1¼	Q24%	–	1.5	–
£22¼	£17⅝	Espirito Santo	£20	–⅛	Q75c	3.3	2.3	13.6
260	182	First Nat. Fin. 10p	214d	–4	13.0	♦	8.1	♦
134	90	FNFC 6.3pc CvRedPref	111	–1	6.3%	–	7.6	–
£16⅝	£13½	Fuji Bank Y50	£13⅜	....	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	283		18.5	–	8.8	–
154	118	Guinness Mahon 10p	154	....	♦2.1	–	1.8	–
300	197	Hambros 20p	288	–2	t10.0	–	4.6	–
116	90	Do. 7.5pc Cv Pf	113	–1	7½%	–	8.8	–
60	39	HK & Shang. HK$2.50	56	....	HQ36c	–	5.2	–
495	423	Joseph (Leo) £1	473	....	15.65	–	4.5	–
145	115	King & Shaxson 20p	138	....	9.25	–	8.9	–
422	277	Kleinwort Benson Grp	408	–2	14.0	–	4.6	–
305	213	Lloyds £1	282xd	–6	th11.2	4.5	5.3	5.6
56	40	Lon. Scot. Bank 10p	53	–1	2.4	♦	6.2	♦
406	287	Midland £1	379	+7	th16.4	3.3	5.8	7.1
£15¼	£12½	Mitsubishi Bank Y50	£12⅛	–⅛	rQ16%	8.1	0.3	44.5
£14⅛	£11¼	Mitsubishi Tst & Bk Y50	£11¼	–⅛	Q16%	8.2	0.3	40.9
934	802	Mitsui Tst & Bk Y50	825	–12	Q16%	7.1	0.4	34.6
552	257	Morgan Grenfell £1	540	....	♦t10.85	–	2.7	–
•352	269	Nat. Aust. Bk. A$1	308	–7	sQ32c	1.5	5.0	13.4
365	255	NatWest £1	345	–1	th14.12	4.4	5.5	5.4
£220	£160	Ottoman Bank	£205	......	Q90%	–	4.4	–
83	46	Rea Bros. Group	46	–2	0.5	–	1.4	–
•240	155	Rothschild (J) Hldgs	193	–1	t9.5	3.6	6.6	5.5
216	139	Royal Bk. Scotland	200	–2	7.2	3.8	4.8	7.0
822	699	Saitama Bank Y50	720	–7	rQ13%	4.7	0.4	56.2
•£13¼	£10⅝	Sanwa Bank Y50	£11⅛	–⅛	rQ16%	8.3	0.3	39.9
220	124	Scandinavian Bk Units	218	......	♦18.5	–	5.2	–
1735	870	Schroders £1	1650	....	19.5	–	1.6	–
1275	655	Do. £1 N/V	1225	....	19.5	–	2.1	–
£33¼	£19¼	Sec. Pacific $10	£21½	–⅞	Q$1.96	–	5.4	–
•594	449	Standard Chartd £1	581	–1	33.9	2.9	7.8	5.0
£19⅛	£13¼	Sumitomo Bank Y50	£13⅞	–⅛	rQ16%	7.5	0.3	55.0
£13⅛	£10⅞	Sumitomo Tst & Bk Y50	£10⅞	–⅛	rQ16%	8.1	0.3	40.0
138	97	TSB	132	–1	5.8	q2.6	6.0	8.6
234	140	TSB Ch'nel Is'l	169	–1	Q6.7	♦	4.0	♦
£11⅛	£9⅝	Tokai Bank Y50	£9⅞	–⅛	Q16%	4.1	0.3	71.7
1015	847	Toyo Tst & Bk Y50	859	–16	Q16%	6.9	0.4	37.1
610	470	Union Discount £1	580	–5	30.0	–	6.9	–
525	277	Warburg (S.G.)	485	–3	t12.5	–	3.4	–
180	98	Do 6pc Cnv Prf	166	–1	6%	–	4.8	–
•284	226	Westpac SA1	269	–5	Q52.5c	1.5	9.4	7.0
468	408	Wintrust 20p	413	....	7.8	–	2.5	–
1016	672	Yasuda Tst & Bk Y50	878	–34	NQ17%	9.3	0.4	26.5

Hire Purchase, Leasing, etc.

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
545	224	Anglo Grp 10p	288	....	t5.0	4.1	2.3	11.2
£190	£105	Do 9½pc 1999	£110½	–2	Q9½%	–	8.6	–
•373	135	CLF Yeoman 50p	135	....	Q21.6%	3.4	7.7	4.2
71	56	♦Cambridge Grp Ir5p	65	–3	Q7½%	14.8	0.5	16.7
100	45	♦Capital Leasing Ir 10p	46	–3	h0.12%	♦	2.4	♦
78	51	Cattle's (Hdgs) 10p	66	–1	t3.25	2.2	6.6	9.3
408	303	Prov. Financial	383	–2	t18.0	1.6	6.3	10.0
235	100	♦Reflex Invs. Ir5p	235	......	Q26.4%	♦	0.5	♦
236	146	Secure Trust Grp 1p	220	–3	W7.09	1.5	4.3	11.1
202	127	Woodchester IR20p	193	–4	tQ11½%	6.2	1.1	17.3

BEERS, WINES & SPIRITS

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
577½	427	Allied-Lyons	494	–8	t15.0	2.4	4.0	11.6
£29	£17⅞	Anheuser-Busch $1	£21⅞	–⅛	72c	–	1.7	–
1155	793	Bass	1026	–14	28.2	3.1	3.7	11.7
203	146	Boddington	161	......	4.3	2.5	3.6	14.6
208	135	Bulmer (H.P.) 5p	190	....	t6.95	1.4	4.9	18.7
256	192	Burtonwood Brewery	224	....	3.55	2.5	2.1	25.1
450	380	Clark (Matthew)	380	–5	t13.0	2.8	4.6	10.5
•361	278	Devenish (J.A.) 5p	279	–1	4.65	3.1	2.2	17.1
255	205	Do 4.5pc Cv 2ndPf	209	–7	4½%	25.3	2.9	–
242	162	♦Eldridge Pope 'A' 50p	163	....	4.1	2.3	3.4	15.5
455	370	♦Fuller, S.T.A.	392	–7	t4.45	4.4	1.5	18.6
658	425	Grand Metrop 50p	609	–1	17.75	q2.8	4.0	10.8
379	258	Greenall Whitley	331	–4	8.7	2.9	3.5	12.4
177	129	Do. 5.95pcCvPf£1	157	–1	5.95%	–	5.1	–
622	396	Greene King	396	–2	t8.7	3.6	2.9	12.1
689	329	Guinness	646	–7	•12.5	3.6	2.4	15.2
186	102	Do. 5¾pc Cnv Prf	179	–2	5.75%	25.0	4.3	–
£226½	£119	Do 9¾pcCvLn	£215½	–2	Q9¾%	69.0	3.8	–
261	135	Highland Dists. 20p	259	–2	3.85	2.7	2.1	22.9
•650	183	Macallan-Glenlivet	825	+5	th0.88	5.7	0.1	–
1950	1335	Macdonald Martin 'A'	1915	–10	ta24.0	2.1	1.7	37.5
515	455	Mansfield Brewery	473	–2	t9.5	3.5	2.7	14.2
240	166	Marston Thompson	213	–2	t3.36	3.5	2.1	18.3
423	323	♦Merrydown Wine	399	–1	th5.79	3.5	1.9	19.5
805	647	Morland	790	......	10.25	4.1	1.7	16.9
449	284	Scott & New 20p	321½	–6½	t10.93	2.3	4.5	12.5
354	273	Vaux Group 10p	303	......	d7.84	2.2	3.4	17.1
428	299	Whitbread 'A'	395	–3	t12.55	2.8	4.2	10.4
494	412	Wolv. & Dudley	414	....	N9.0	3.8	2.9	13.2
535	475	Young Brew 'A' 50p	490	–5	t10.2	1.5	2.6	26.2
455	395	Do. Non. V. 50p	410	....	t10.2	1.8	3.3	21.9

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS — Contd

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	£11¼	DAF N.V. Fl1.5	£11½	−⅝	H02.5	1.8	6.2	8.9
162	113	General Mtrs Units	122	−3	M12½%	−	6.2	−
906	264	Jaguar	849		♦11.0	0.5	1.7	−
*61½	27	♦March Group 5p	40		‡gd0.64	−	♦	−
£205¼	£94½	Volkswagen DM50	£187⅞	−⅛	Q20%	2.8	1.8	19.9
£51⅞	£33½	Volvo Kr25	£41¼		Q56%	3.1	3.2	10.5

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*505	228	ERF (Hldgs)	233	−2	15.0	3.7	8.6	4.2
*245	166	Plaxton Grp	171	−2	H8.5	2.1	6.6	17.4

Components

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
435	375	Abbey Panels	420xd		3.5	♦	1.1	♦
290	185	Airflow Streamlines	225	+2	6.0	4.2	3.6	9.0
95	50	♦BTS 10p	51	−2	0.5	−	1.3	−
208	143	Bostrom 5p	179		15.1	10.6	3.8	8.6
299	214	Dowty 50p	221	−2	18.0	2.3	4.8	11.6
261	185	FR Group	225		15.54	3.7	3.3	11.1
*174	100	Kwik-Fit Hldgs. 10p	113	−4	2.4	2.8	2.8	16.8
*725	509	Lucas Inds. £1	645	+4	25.0	2.9	5.2	7.5
*62	14	♦Spice 5p	15		‡g1.2	0.4	♦	−

Garages and Distributors

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	27	Alexanders 10p	27xd		1.0	3.1	4.9	8.5
184½	104	Appleyard 10p	125	−3	16.6	3.1	7.2	5.5
200	100	♦Bletchley Motor 20p	105		17.5	3.2	9.5	4.4
600	485	Caffyns 50p	553		11.5	0.4	2.8	−

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

PK English Trust (Inv Man) Ltd (1000)F

12 Carthusian St, London EC1M 6EB 01-796 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	61.46	61.87	64.40	----	0.0
Far Eastern*	4	184.35	188.53	196.07	----	0.1
Growth†	4	186.87	189.23	200.97	----	3.4
Income†	4	139.27	141.02	150.21	----	5.3
Scandinavian†	4	74.97	76.73	79.8	----	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the maximum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1600)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	48.01	49.15	52.42	-0.27	1.03
(Accum Units)	5	49.40	50.58	53.94	-0.29	1.03
European Opps	5	69.50	69.90	74.55	+0.06	0.00
(Accum Units)	5	69.88	70.29	74.96	+0.06	0.00
Far Eastern Opps	5	139.58	139.89	149.21	-2.68	0.00
(Accum Units)	5	140.47	140.79	150.16	-2.71	0.00
Golden Opps	5	45.15	45.15xd	48.15	+0.05	0.00
(Accum Units)	5	46.44	46.44xd	49.53	+0.04	0.00
Intl Hi-Yield	5	57.84	58.41xd	62.30	-0.73	4.39
(Accum Units)	5	62.79	63.42xd	67.63	-0.79	4.39
Sanyo Japan Tst	5	76.79	76.79	81.72	-0.84	0.00
(Accum Units)	5	76.79	76.79	81.72	-0.84	0.00
Kangaroo	5	33.51	33.51	35.73	-0.39	1.48
(Accum Units)	5	33.70	33.70	35.94	-0.40	1.48
Oriental Income	5	34.32	34.32	36.59	-0.52	5.14
(Accum Units)	5	38.46	38.46	41.01	-0.59	5.14
Pacific Technology	5	59.74	59.74	63.71	-0.56	0.00
(Accum Units)	5	60.22	60.22	64.22	-0.57	0.00
Tiger	5	147.01	147.61	157.44	-1.61	0.71
(Accum Units)	5	149.30	149.91	159.89	-1.64	0.71
UK Hi-Yield	5	43.04	43.04	45.90	-0.20	4.96
(Accum Units)	5	49.21	49.21	52.48	-0.23	4.96
UK Opps	5	54.54	54.54	58.32	-0.21	1.99
(Accum Units)	5	59.14	59.14	63.24	-0.24	1.99

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250
4 Hourly Pricing—12 Noon Historic

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TR American Grwth	5¼	45.26	45.26	48.27	-1.35	0
TR Eur Sp Sits Acc	5¼	41.38	41.38	44.10	-0.58	0
TR Eur Sp Sits Inc	5¼	40.57	40.57	43.24	-0.58	0
TR General Growth	5¼	74.45	74.45xd	79.20	-1.12	2.81
TR Global Tech	5¼	69.54	69.54	74.17	-1.17	0
TR Income Growth	5¼	87.20	87.20xd	92.76	-0.84	4.47
TR Income Monthly	5¼	57.98	57.98	61.68	-0.55	6.80
TR Japan Growth	5¼	96.52	96.52	102.4	-1.30	0
TR Overseas Growth	5¼	67.20	67.20	71.70	-1.37	0
TR Smaller Cos	5¼	83.45	83.45	88.77	-1.08	2.96
TR Special Ops	5¼	96.22	96.22	102.3	-0.90	2.80
TR Mgd Eq Plan Acc	5¼	33.78	33.78	35.93	-0.53	2.34
TR Mgd Eq Plan Inc	5¼	31.68	31.68	33.70	-0.50	2.34
TR Wwde Sp Sit Acc	5¼	37.40	37.40	39.94	-0.59	0
TR Wwde Sp Sit Inc	5¼	37.37	37.37	39.90	-0.59	0
TR Pension Portfolio						
TR American Grwth ♦	6	27.39	27.75	29.42	-0.39	0
TR Eur Sp Sits ♦	6	32.77	33.18	35.17	-0.38	0

	Bid Price	Offer Price	+ or -	Yield Gross
J. Rothschild Fund Managers Ltd				
Intl Exempt	156.5	158.4	—	1.59
Stewart Ivory & Co Ltd				
Selets PPP Jan 12	264.6	278.6	—	—
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Jan 15	103.69	110.21xd	—	3.76
(Accum Units)	104.32	110.88xd	—	3.76
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1104	1120	—	1.59
TR Exempt Nth Amer	941	954	—	3.50
TR Exempt Pac Basin	1025	1035	—	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Jan 12	—	177.0	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	301.2	317.1	+0.1	—
Equity Ser. 1	131.6	138.6	-1.9	—
Prop. Acc. Ser 2	464.3	488.8	—	—
Equity Ser 2	152.7	160.8	-2.2	—
Selective Acc	346.4	364.7	-2.8	—
Prop. Ser. 4	362.7	381.8	—	—
Equity Ser. 4	154.8	163.0	-1.8	—
Man. Ser. 4	442.9	466.3	-3.7	—
Fixed Int. Ser. 4	215.0	226.4	-0.5	—
Indexed Inv. Ser. 4	141.8	149.4	-0.4	—
American Ser. 4	311.6	328.0	-2.7	—
Japan Ser 4	339.3	357.2	-4.3	—

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[illegible]

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	227.2	239.2	-5.4	-
Gilt & Fixed Int Fd	148.1	155.9	-1.8	-
Cash Fund	149.7	157.6	+0.2	-
Pensions Managed	110.8	116.6	---	-
Pensions Cash	116.1	122.2	---	-

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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OFFSHORE INSURANCES

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Mercury 90:10 Trust (Sicav)

	Bid Price	Offer Price	+ or -	Yield Gross
Dollar Fd BOPUPs	$10.66	10.66	.....	-
Dollar Fd OPUPs	$12.81	13.00	.....	-
Sterling Fd BOPUPs	£10.67	10.68	.....	-
Sterling Fd OPUPs	£14.25	14.46	.....	-
DM Fd BOPUPs	DM10.31	10.32	.....	-
DM Fd OPUPs	DM12.84	13.03	.....	-
Yen Fd BOPUPs	$8.22	8.23	.....	-
Yen Fd OPUPs	$12.67	12.86	.....	-

Wardley Investment Services Ltd

Wardley S E Asia Tst.	$12.36	13.12	.....	0.84

Wells Fargo U.S. IT Fund

NAV Jan 23		$9.66	.....	-

Yamaichi Dynamic Mngt Co SA

Advanced Tech.		$26.23	.....	-

Money Market Trust Funds

Charities Aid Fndtn Money Mngmt Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114

	Gross	Net	Gr Equiv CAR	Int Cr
Calcash Deposit Fd.	14.76	-	15.59	3-mth

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	14.90	-	15.75	3-Mth

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1R 1NX 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd.	14.62	11.44	15.61	6-Mth
7-day Fund	14.75	11.55	15.84	6 Mth
Special Fund	14.63	-	16.08	Mth
Dollar	7.06	5.52	7.52	3 Mth

Money Market Bank Accounts

Aitken Hume Bank plc
30 City Road, EC1Y 2AY 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc.	13.50	10.56	14.64	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth

Allied Trust Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-629 6802

	Gross	Net	Gr Equiv CAR	Int Cr
OMNA (£2,001+)	14.50	11.35	15.94	Mth
HICA (£2,001+)	13.90	10.88	15.248	Mth

Bank of Ireland High Interest Cheque Acc
36 Queen St, EC4R 1BN 01-625 7000

	Gross	Net	Gr Equiv CAR	Int Cr
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.058	11.000	15.283	Qtr

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Wall Street jitters hit dollar

THE SHARP early fall in share prices on Wall Street undermined confidence in the dollar yesterday. The poor reception for Tuesday's auction of Resolution Funding Corp's 40-year bonds, to bail out the US savings and loan industry, created a nervous mood in financial markets.

The US financial system is seen in foreign exchange markets as being vulnerable because of the large loan exposure of the banking system to the less developed countries as well as a number of domestic problems, including insolvency among the savings and loan companies.

Dealers noted that Mr Manuel Johnson, vice chairman of the US Federal Reserve Board, appeared to have softened his attitude on credit policy. He warned last week that he would not support any monetary easing based on present conditions, but subsequently said the Fed would reserve judgement on whether to relax credit and indicated that further easing is a possibility.

The Fed added $2.5bn of temporary funds to the New York banking system yesterday, via customer repurchase agreements, but Federal funds were trading at 8 7/16 per cent at the time - above the assumed target of 8¼ per cent - and the move was not regarded as significant.

The dollar was also hit by the recovery of the D-Mark as political worries about Eastern Europe and the Soviet Union faded into the background. At the London close, the dollar had fallen to DM1.6865 from DM1.6965; to SFr1.4955 from SFr1.5075; to FFr5.7300 from FFr5.7650; and to Y145.30 from Y146.05. The dollar's index fell to 67.2 from 67.6.

There was no strong pressure on the European Monetary System, despite the strength of the D-Mark. The lira was the strongest member of the EMS and held steady against the D-Mark at the Milan fixing. The French franc also showed no ill effects from the D-Mark's performance. The D-Mark fell to FFr3.3988 at the Paris fixing, from DM3.3995 previously. At the London close the West German currency had eased to FFr3.3975.

Sterling was on the sidelines, awaiting publication of the December UK trade figures on Friday. The no-strike vote at Ford's UK plants had little impact. Sterling rose 70 points to $1.6555, but fell to DM2.7925 from DM2.7975; to SFr2.4750 from SFr2.4850; to FFr9.4850 from FFr9.5025; and to Y240.50 from Y240.75. The pound's index closed unchanged at 87.8.

The Australian and Canadian dollars suffered as investors, worried about US financial markets and the threat of rising world inflation, were attracted into gold rather than these high-yielding currencies. Gold gained $10.50 to $420.25 yesterday. Expectations of lower interest rates in Australia and Canada did not help either currency. The Reserve Bank of Australia again supported the local dollar in Sydney, and the Bank of Canada was seen intervening in support of its own unit in Toronto.

EURO-CURRENCY INTEREST RATES

Jan 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14 7/8	15 1/16-14 15/16	15 1/4-15 1/8	15 1/4-15 1/8	15 1/4-15 1/8	15 1/4-15 1/8
US Dollar	8 1/4-8 1/8	8 1/4-8 1/8	8 5/16-8 3/16	8 3/8-8 1/4	8 3/8-8 1/4	8 11/16-8 9/16
Can Dollar	12 1/2-12 1/4	12 1/2-12 1/4	12 1/4-12	12 1/8-11 7/8	11 13/16-11 11/16	11 7/16-11 5/16
D. Guilder	8 1/2-8 1/4	8 1/4-8 1/8	8 3/4-8 5/8	8 3/4-8 5/8	9-8 7/8	9 1/16-8 15/16
Sw Franc	9 13/16-9 11/16	9 13/16-9 11/16	10-9 7/8	10-9 7/8	10-9 7/8	9 3/4-9 5/8
Deutschmark	7 15/16-7 13/16	7 15/16-7 13/16	8-7 7/8	8 3/8-8 1/4	8 5/8-8 1/2	8 3/4-8 5/8
Fr. Franc	10 1/4-10 1/8	10 1/4-10 1/8	10 3/4-10 5/8	11 3/16-11 1/16	11 3/8-11 1/4	11 5/8-11 1/2
Italian Lira	13-11	13 1/4-12 1/4	12 7/8-12 3/8	12 3/4-12 1/2	12 3/4-12 1/2	13 1/2-13 1/4
B. Fr. (Fin)	10 3/16-10 1/16	10 3/16-10 1/16	10 1/4-10 1/8	10 13/16-10 5/8	10 3/4-10 5/8	10 3/4-10 5/8
B. Fr. (Con)	10 3/8-10 1/4	10 3/8-10 1/4	10 1/4-10 1/8	10 1/4-10 1/8	10 7/8-10 1/2	10 15/16-10 3/4
Yen	6 5/8-6 1/2	6 5/8-6 1/2	6 3/4-6 5/8	7 1/4-7	7 1/4-7 1/8	7 3/8-7 1/4
D. Krone	12 3/8-12 3/16	12 3/4-12 1/2	12 3/8-12 3/16	12 1/16-11 15/16	11 15/16-11 13/16	11 3/4-11 1/2
Asian $Sing	8 1/2-8 1/4	8 3/8-8 1/4	8 3/8-8 1/4	8 1/2-8 1/4	8 3/4-8 5/8	8 7/8-8 1/2

Long term Eurodollars: two years 8 11/16-8 9/16 per cent; three years 9 1/16-8 15/16 per cent; four years 9 1/4-9 per cent; five years 9 3/8-9 1/4 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Jan 24	Latest	Previous Close
£ Spot	1.6590-1.6600	1.6540-1.6550
1 month	0.93-0.92pm	0.95-0.94pm
3 months	2.70-2.67pm	2.67-2.65pm
12 months	9.25-9.15pm	9.33-9.23pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.24	Previous
8.30 am	88.0	88.1
9.00 am	87.9	88.0
10.00 am	88.0	88.0
11.00 am	88.0	88.0
Noon	88.0	88.0
1.00 pm	88.0	88.0
2.00 pm	87.9	88.0
3.00 pm	87.8	88.0
4.00 pm	87.8	87.8

POUND SPOT- FORWARD AGAINST THE POUND

Jan.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6535-1.6615	1.6550-1.6560	0.94-0.92cpm	6.74	2.69-2.66pm	6.46
Canada	1.9485-1.9725	1.9610-1.9620	0.46-0.39cpm	2.60	1.43-1.31pm	2.79
Netherlands	3.14-3.15½	3.14-3.15	1¾-1⅝cpm	6.44	4⅜-4¼pm	5.41
Belgium	58.20-58.65	58.40-58.50	25-20cpm	4.62	69-61pm	4.45
Denmark	10.76¾-10.85¼	10.76¾-10.77¾	2⅞-2⅛orepm	2.78	8¼-7¼pm	2.88
Ireland	1.0505-1.0605	1.0525-1.0535	0.35-0.30pm	3.70	0.95-0.85pm	3.42
W. Germany	2.78½-2.80	2.79-2.79½	1¾-1⅝pfpm	7.25	4⅜-4¼pm	6.27
Portugal	244.90-247.30	245.00-246.00	9-35cdis	-1.08	113-198dis	-2.53
Spain	180.40-182.30	180.45-180.75	3-4cdis	-0.23	2-8dis	-0.11
Italy	2073¾-2083¼	2077½-2078½	5-3lirepm	2.31	12-10pm	2.12
Norway	10.77-10.83½	10.78-10.79	3½-3¼orepm	3.62	9¾-8⅝pm	3.29
France	9.46½-9.51¼	9.48-9.49	3⅜-3¼cpm	4.11	8⅞-8⅝pm	3.69
Sweden	10.16¾-10.22¼	10.16¾-10.17¾	2⅞-2⅝orepm	3.24	6½-6¼pm	2.48
Japan	240-241¼	240-241	1¾-1⅝ypm	8.42	4¾-4⅝pm	7.59
Austria	19.59-19.72	19.64-19.67	12¼-11gropm	7.06	32⅛-29⅛pm	6.28
Switzerland	2.47-2.49¼	2.47-2.48	1⅝-1½cpm	7.27	2⅞-2¾pm	4.55
ECU	1.3690-1.3700	1.3690-1.3700	0.48-0.45cpm	4.07	1.28-1.25pm	3.69

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.40-58.50 Six-month forward dollar 5.17-5.12cpm 12 months 9.42-9.32cpm

CURRENCY RATES

Jan.24	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling §	1	1.25298	1.37251
U.S Dollar	7	1.31257	N/A
Canadian $	12.46	1.54621	N/A
Austrian Sch.	6½	15.7482	N/A
Belgian Franc	10¼	46.8719	42.5936
Danish Krone	10½	8.67215	7.87971
Deutsche Mark	6.00	2.23846	2.03552
Neth Guilder	7.00	2.52604	2.29427
French Franc	10¼	N/A	6.91726
Italian Lira	13½	1666.04	1514.74
[illegible]			

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6535-1.6615	1.6550-1.6560	0.94-0.92cpm	6.74	2.69-2.66pm	6.46
Ireland†	1.5655-1.5750	1.5710-1.5720	0.51-0.46cpm	3.70	1.43-1.33pm	3.51
Canada	1.1750-1.1875	1.1850-1.1860	0.40-0.42cdis	-4.15	1.08-1.13dis	-3.73
Netherlands	1.8890-1.9055	1.9000-1.9010	0.07-0.09cdis	-0.51	0.26-0.29dis	-0.58
Belgium	35.05-35.40	35.25-35.35	5.00-7.00cdis	-2.05	16.00-20.00dis	-2.05
Denmark	6.48¾-6.54½	6.50½-6.51	2.15-2.35oredis	-4.15	5.85-6.35dis	-3.75
[illegible]						

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Jan.24	£	$
[illegible]		
Malaysia	4.4760-4.4870	2.7035-2.7055
Mexico	4464.20-4482.10	2693.00-2703.00
N. Zealand	2.8025-2.8075	1.6915-1.6945
Saudi Ar.	6.2095-6.2145	3.7500-3.7510
Singapore	3.1050-3.1115	1.8740-1.8760
S. Af (Cm)	4.2280-4.2390	2.5500-2.5520
S. Af (Fn)	5.4875-5.5790	3.3115-3.3670
Taiwan	42.90-42.95	25.90-25.95
U.A.E.	6.0800-6.0855	3.6720-3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 69,042

A=Ask B=Bid C=Call P=Put

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	2288.0	2288.0	2260.0	2304.0
Jun	2331.0	2328.0	2308.0	2347.5
Sep	2371.0			2387.5

Estimated volume 8865 (6373)
Previous day's open int. 23638 (23249)

MONEY MARKETS

A nervous tone

THERE WAS a nervous tone to trading on the London money market yesterday, but three-month sterling interbank closed little changed at 15¼-15⅛, against 15¼-15 3/16 per cent on Tuesday, with 12-month easing to 15 3/16-15 1/16 from 15¼-15⅛.

Tuesday's comments in Parliament by Mr John Major, the UK Chancellor, confirmed that there is no prospect of an early reduction in bank base rates. News that workers at Ford's UK plants had voted against a strike encouraged rates to finish below the day's highs.

UK clearing bank base lending rate 15 per cent from October 5

Tomorrow's UK trade figures will prove an important test of sentiment, amid hopes the current account deficit will be no higher than £1.6bn.

On Liffe expectations that base rates will be unchanged for some time kept trading in the near month subdued. Volume in March delivery was only slightly higher than for June. The March contract opened lower at 84.74, but the news from Ford led to a firmer close of 84.89, against 84.80 on Tuesday.

The Bank of England initially forecast a flat day-to-day credit position, but revised this to a shortage of £100m at noon, and to £150m in the afternoon. Total help of £100m was provided.

The authorities did not operate in the market before lunch, but in the afternoon bought £60m bills outright, by way of £2m local authority bills in band 1 at 14⅞ per cent; £19m bank bills in band 1 at 14⅞ per cent; and £39m bank bills in band 2 at 14¾ per cent. Late assistance of around £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £247m, with a rise in the note circulation absorbing £70m. These factors were roughly balanced by Exchequer transactions adding £230m to liquidity, and bank balances above target of £70m.

In Frankfurt call money eased to 7.85 per cent from 7.95 per cent, as the Bundesbank injected a net DM4.3bn at this week's securities repurchase agreement tender. The central bank accepted bids of DM19.5bn for 28-day funds, to offset an expiring pact of DM15.2bn. This was seen as an indication that the Bundesbank is unlikely to raise official interest rates in the near future. Earlier this week tax payments forced call money up to almost the level of the 8 per cent Lombard emergency financing rate.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.24) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate	10
Broker loan rate	9¼
Fed.funds	8¼
Fed.funds at intervention	8⅛

Treasury Bills and Bonds

One month	7.58	Three year	8.28
Two month	7.95	Four year	8.28
Three month	7.92	Five year	8.27
Six month	8.00	Seven year	8.34
One year	8.00	10-year	8.38
Two year	8.24	30-year	8.42

Jan.24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	8.00-8.15	7.95-8.10	8.10-8.25	8.35-8.50	8.00
Paris	10⅝-10 13/16	10⅝-10¾	-	11-11⅛	-	9.50
Zurich	8⅞-9¼	9¼-9½	-	9¼-9½	-	-
Amsterdam	7.68-7.81	8.65-8.75	-	8.83-8.93	-	-
Tokyo	6⅛-6½	6 11/16-6¾	-	6 15/16-7⅛	-	-
Milan	12¼-12¾	13¼-13⅜	-	12⅞-13⅛	-	-
Brussels	7.50	10⅛-10½	-	10½-10⅝	-	-
Dublin	11⅜-11 11/16	11¾-12	11 15/16-12 1/16	12-12⅛	11 15/16-12 1/16	-

LONDON MONEY RATES

Jan 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15 1/16	15	15⅛	15¼	15⅜	15¼
Interbank Bid	11	14⅞	15 1/16	15⅛	15 3/16	15⅛
Sterling CDs.	-	-	15 1/16	15 3/16	15⅛	15
Local Authority Deps.	14¾	14¾	15	15¼	15¼	15⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14⅞	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15 1/16	15 3/16	15 3/16	15 3/16
Finance House Deposits	-	-	15⅛	15¼	15¼	15¼
Treasury Bills (Buy)	-	-	14¾	14 13/16	-	-
Bank Bills (Buy)	-	-	14¾	14 13/16	14¾	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14 13/16	-
Dollar CDs.	-	-	8.25	8.25	8.30	8.45
SDR Linked Dep. Offer	-	-	8 13/16	9⅛	9 3/16	9 5/16
SDR Linked Dep. Bid	-	-	8 11/16	9	9 1/16	9 3/16
ECU Linked Dep. Offer	-	-	10⅞	11¼	11 5/16	11½
ECU Linked Dep. Bid	-	-	10¾	11⅛	11 3/16	11⅜

Treasury Bills (sell); one-month 14 11/16 per cent; three months 14 11/16 per cent; Bank Bills (sell); one-month 14 11/16 per cent; three months 14 11/16 per cent; Treasury Bills; Average tender rate of discount 14.5684 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December, 29, 1989. Agreed rates for period January, 24 1990 to February, 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.38 p.c. Reference rate for period Dec.1, 1989 to December, 29, 1989, Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	14	Equatorial Bank plc	15	Provincial Bank PLC	16
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
Cl. Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk N. East	15	Nat. Bk. of Kuwait	15		

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PUBLIC WORKS LOAN BOARD RATES

Effective January 24

Years	Quota loans repaid by EIP†	At††	at maturity§	Non-quota loans A* repaid by EIP†	At††	at maturity§
1			14⅜			15⅛
Over 1 up to 2	14⅛	14⅛	13⅞	15⅛	15⅛	14⅛
Over 2 up to 3	13⅝	13½	12¾	14⅝	14½	13½
Over 3 up to 4	13⅛	13	12⅜	14⅛	14	13⅛
Over 4 up to 5	12⅞	12¾	12¼	13⅞	13¾	13
Over 5 up to 6	12⅝	12½	12⅛	13⅛	13	12⅝
Over 6 up to 7	12½	12⅜	12	13	12⅞	12½
Over 7 up to 8	12⅜	12¼	11¾	12⅞	12¾	12¼
Over 8 up to 9	12¼	12⅛	11⅝	12¾	12⅝	12⅛
Over 9 up to 10	12¼	12⅛	11⅜	12¾	12⅝	11⅞
Over 10 up to 15	11⅞	11⅜	10⅞	12⅜	11⅞	11⅜
Over 15 up to 25	11⅛	10¾	10⅝	11⅝	11¼	11⅛
Over 25	10⅝	10½	10½	11⅛	11	11

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CROSSWORD

No.7,147 Set by QUARK

ACROSS

1 Only a few use this form of transport (7)
5 Round about the post office Marie tears ... to find the big shops (7)
9 Some strive to provide security (5)
10 Ambitious people get store to redevelop after bit of guidance (2-7)
11 The shire with the pull? (9)
12 Daisy is one of the cattle to look at (5)
13 Pick the best (5)
15 Respected man in English fur (9)
18 Described as deep at Christmas (NT?) (9)
19 Name only applied to legwear (5)
21 Research led back to day of victory (5)
23 Take turn to home – some distance in car (9)
25 A role intended, we hear, might prove to be flat (9)
26 Regret at end of evening putting fire out (5)
27 It's a crazy person putting the notice behind house! (7)
28 Detailed account? Clear it with management (7)

DOWN

1 It's a remarkable event producing saintly play (7)
2 On no account take offence: don't bother! (5,4)
3 There's a lot about in the water container (5)
4 Could be used to replace the cane? (5,4)
5 "Birdie" would be an inadequate definition (5)
6 American crime detector? (9)
7 Fix something by passing through high official (5)
8 Break for Easter about 2nd of June? That's harsh (7)
14 It's in the heart of a terrible upheaval (9)
16 Rocky heights surrounding people present a teaser (9)
17 A song writer, I'd set up in rock perhaps (9)
18 Dirty game of rugger? There's slander over one team (7)
20 Necessary fuel. End? Reorder (7)
22 Leaders of local education authority spend the minimum (5)
23 Exert power – with the big stick? (5)
24 Reason soldier wears hair cut short (5)

Solution to Puzzle No.7,146

VERIFY HORNBEAM / RECOIL DECANTER / NINETY REACHING / CASTOR / NATURAL / MANEGE / USE / ANTELOPE ADRIFT / SHAGREEN FACIAL / SEASCAPE SKINNY

WORLD STOCK MARKETS

CANADA

TORONTO
2pm prices January 24

INDICES

NEW YORK

DOW JONES	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2615.32	2600.45	2677.90	2666.38	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.90	91.94	92.05	92.08	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1127.67	1128.20	1153.98	1142.43	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.38	219.69	221.77	222.15	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2639.64 (2683.33) Low 2584.01 (2595.27)

STANDARD AND POOR'S

	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	331.61	330.38	339.15	338.19	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	381.26	379.68	389.97	388.82	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.55	28.69	29.51	29.58	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	183.60	183.20	187.56	187.07	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.73	360.88	366.08	366.17	397.03 (10/10/89)	305.24 (5/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	430.42	431.94	440.88	437.52	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 19	Jan 12	Jan 5	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.96	3.84	3.59

	Jan 17	Jan 10	Jan 3	year ago (approx.)
S & P Industrial div. yield	3.03	2.94	2.86	3.21
S & P Indl. P/E ratio	14.39	14.80	15.19	13.23

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Bank New Eng	4,344,800	3⅛	− ⅛
Citicorp	3,186,000	24⅞	+ ⅛
Gen Electric	2,947,900	62⅞	− ⅛
Philip Morris	2,341,900	37¼	− ⅛
Am T&T	2,232,400	40⅞	+ ⅜
First Cap	2,061,000	6⅛	− ⅜
Gulf States Utl	2,011,900	11⅞	− ⅛
Varity Corp	1,803,400	2⅞	—
Waste Mngmnt	1,603,100	31¼	− ⅛
Gen Motors	1,485,600	41⅛	—

TRADING ACTIVITY

† Volume Millions	Jan 23	Jan 22	Jan 19
New York	179.300	148.380	185.590
Amex	13.617	12.935	11.220
NASDAQ	141.436	130.489	152.166
Issues Traded	1,978	1,962	1,949
Rises	659	262	817
Falls	848	1,336	651
Unchanged	471	364	481
New Highs	11	10	18
New Lows	125	109	57

CANADA

TORONTO	Jan 23	Jan 22	Jan 19	Jan 18	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3090.56	3068.08	3115.73	3143.11	3919.2 (1/9/89)	3068.08 (22/1/90)
Composite	3812.68	3801.51	3865.07	3857.39	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1938.23	1932.87	1965.30	1958.21	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 24	Jan 23	Jan 22	Jan 19	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1661.2	1664.8	1672.3	1673.9	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	818.0	820.5	832.8	842.2	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	534.04	549.66	555.49	555.97	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6215.03	6355.81	6440.65	6449.04	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	363.41	368.38	369.28	369.38	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	646.0	677.3	672.8	640.0	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	522.91	524.61	534.31	535.1	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1881.73	1912.36	1915.82	1924.27	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	732.71	746.81	747.19	743.78	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2151.5	2197.1	2198.0	2188.6	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1756.41	1801.52	1779.30	1773.56	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2756.39	2762.45	2771.65	2776.29	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1846.86	1871.88	1893.10	1881.16	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	688.73	699.65	701.82	697.38	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	36778.98	37378.02	37257.01	36836.54	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2705.46	2740.18	2735.85	2701.31	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4058.16	4083.22	4074.60	4065.23	4083.22 (23/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	558.07	567.25	572.12	574.72	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS TU.Rtn Gen.(End 1983)	245.9	251.2	252.2	252.7	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	188.6	192.7	193.5	193.8	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	725.33	754.71	752.44	743.72	754.71 (23/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1067.01	1073.71	1079.88	1080.35	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	413.64	420.17	423.73	421.89	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2234.0&	2092.0	2054.0	2080.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2922.0&	2897.0	2915.0	2945.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	903.58	890.52	898.89	868.20	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	278.83	282.60	285.92	286.13	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4190.4	4291.17	4345.10	4383.4	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	742.00	758.7	762.2	763.4	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	(c)	11947.01	11769.32	11422.51	11947.01 (23/1/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	858.02	875.98	880.41	868.67	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	536.5	536.2	539.6	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 20: Taiwan Weighted Price: (c) Korea Comp Ex. 872.97
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday January 24 1990

	Stocks Traded	Closing Prices	Change on day
Dowa Mining	18.4m	1,650	+60
Sharp	12.7m	1,880	-40
Sumitomo Mtl	11.6m	2,110	+20
Minebea	11.2m	1,260	+40
Hitachi	10.8m	1,540	-30
Nihon Nosan	10.2m	1,140	+60
NEC	9.8m	1,920	0
NKK	8.4m	695	-19
Toshiba	7.7m	1,180	0
Mitsui Mining	7.2m	858	+9

3pm prices January 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24⅛	AAR	.48	1.6	18	171	31⅛	30	30½	–1⅛
9¾	8½	ACM n	1.01	11.		80	9⅝	9½	9½	– ⅛
11⅝	10½	ACMIn	1.26	11.		488	11⅛	11	11⅛	
9⅞	8	ACM M n	1.01	12.		130	8¾	8⅝	8⅝	– ⅛
12½	12	ACMMM				158	12⅛	12	12	
11½	10	ACM Sc	1.26	11.		748	11⅛	11	11	– ⅛
9⅝	8⅞	ACMSp	1.01	11.		827	9⅜	9¼	9¼	
19⅝	17½	AL Lab	.16	.9	18	99	17⅝	17½	17⅝	– ⅛
4⅛	3¼	AMCA	.12e	3.6	8	3	3⅜	3⅜	3⅜	– ⅛
8⅛	3¼	AM Intl			8	626	3⅞	d 3¼	3¼	
23½	16⅝	AM In pf	2	11.		53	18⅛	17⅞	18	– ⅛
107⅛	62⅞	AMR			6	6291	56	55	55½	–1½
5⅞	3⅛	ARX				277	3⅝	3½	3⅝	+ ⅛
65⅝	39	ASA	3a	4.6		2663	u66	62⅞	65⅝	+2⅛
70⅝	46⅛	AbtLab	1.40	2.2	17	2315	65½	64⅝	64¾	–1⅛
18¾	11⅛	Abitibi g	.50			264	11⅝	11½	11⅝	– ⅛
13	9¼	AcmeC	.40	3.9	11	53	10⅜	10¼	10¼	– ⅛
9¼	6	AcmeE	.32	3.6	12	14	9⅛	9	9	
38½	22	Acuson			20	430	30⅞	30	30⅜	– ⅜
16½	12⅞	AdaEx	2.08e	14.		76	15⅛	15⅛	15⅛	– ⅛
15⅝	6⅞	Adobe				218	12⅝	12⅛	12⅛	– ⅛
21⅝	19⅞	Adob pf	2.40	11.		55	21¼	21⅛	21¼	
10½	7⅛	AMD			17	1429	7½	7⅜	7½	+ ⅛
35	28½	AMD pf	3	10.		15	29¼	29¼	29¼	– ⅜
10⅛	6⅝	Advest	.16	2.4	9	102	6⅞	d 6½	6⅝	– ⅛
62½	47⅝	AetnLf	2.76	5.6	8	992	49½	48½	49¼	– ⅜
14	9⅞	AllPb	.24	2.4		1349	10⅛	9⅞	10⅛	+ ⅛
25	16⅛	Ahmans	.88	5.0	9	2227	17⅝	16⅞	17⅝	+ ⅛
3⅞	2½	Aileen				10	2¼	2¼	2¼	– ⅛
50¼	40	AirPrd	1.32	2.8	12	1795	47	46⅝	46½	– ⅜
39⅝	21½	AirbFrt	.60	1.8	17	35	34	33⅝	33⅝	– ⅜
25⅛	16	Airgas			10	39	17⅛	17	17⅛	+ ⅛
20⅜	18⅛	AirIzsa	2.40	12.	11	22	19⅞	19⅝	19⅝	– ⅛
24⅛	21¼	AlaP pf	2.08e	9.5		25	21⅞	21⅞	21⅞	+ ⅛

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Continued on Page 37

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NYSE COMPOSITE PRICES

Continued from previous Page

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Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 24

[illegible]

NASDAQ NATIONAL MARKET

3pm prices January 24

[illegible]

AMERICA

Sharp setback after weak recovery

Wall Street

ANOTHER SHARP sell-off became inevitable yesterday, after the anaemic recovery in the US stock market on Tuesday, *a disastrous auction of* Resolution Funding Corp bonds in the Treasury market and a sharp fall in the Japanese equity market overnight, *writes Janet Bush in New York.*

The Dow Jones Industrial *Average plunged 60 points in* the first half hour of trading, and the over-the-counter market slumped 2.3 per cent immediately after the opening. By midsession, there had been scarcely any recovery in either blue chips or secondary issues.

At 2 pm, the Dow Jones was 33.34 lower at 2,581.98 in heavy volume of 140m shares. It had risen *only 14.87* points on Tuesday in spite of the drop of 77.45 points on Monday.

The Nasdaq Composite Index, which had lost about 10 points at worst, was 9.10 lower at midsession at 421.32. This was around its lowest levels since mid-April.

At its trough, the Dow stood briefly below the close reached *after the mini-crash on* October 13, when the Dow fell 190.58 points. The close that day was 2,569.26, while the lowest level yesterday was 2,547.75.

Opinion varied on how low the market would drop before *convincing buying set in.* Some believed that buying should emerge at the level seen at the close on October 13, while others argued that the market would have to drop below 2,500 to the level reached briefly on October 16 *last* year.

The fact that yields continued to rise in the Treasury bond market, partly in *response to Tuesday's disastrous* sale of $5bn of 40-year Refcorp bonds, speeded up the sell-off.

The bonds were sold at a much higher interest rate than most had expected and exacerbated long-range concerns about the attractiveness of US debt instruments to overseas buyers, who have been the backbone of financing the US budget deficit.

Added to these factors was the sharp fall in the Nikkei overnight and lower stock markets in Europe.

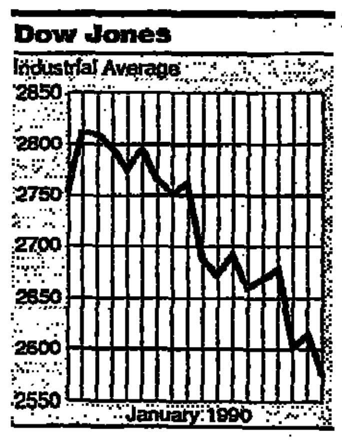
There has also been a wave of bad *news about the exposure* of some companies to their portfolios of distressed junk bonds. This has particularly hit the OTC market, where many troubled thrifts and financial issues are traded.

First Executive, which earlier this week announced a $515m charge against its portfolio of high-yield bonds, had *lost 60 per cent of its value in* the previous two sessions. Yesterday it recovered a little, adding $⅝ to $3⅝.

Calumet Industries, another OTC issue, fell $1 to $1½ after the company said that one of its banks would not renew a revolving loan and added that bankruptcy was one option it was examining.

Blue chips on the New York Stock Exchange were sharply lower. IBM dropped $1⅝ to $96¾, General Electric fell $1⅛ to $62¼, F.W. Woolworth slumped $1½ to $58⅝ and Philip Morris lost $1 to $37¼.

*Among the few stocks regis*tering gains were Cray Research, which added $2 to $41¼ in a favourable reception to its fourth quarter earnings report, MAI Basic Four, which gained $⅝ to $3¾, and the Brazil Fund, *up $1⅛ at $13⅝*.



Canada

TORONTO had steadied by midsession after a steep morning decline following losses in New York and Tokyo. Gold *shares gained ground, as the* bullion price increased and investors sought a haven from the rest of the market.

The composite index lost 57.6 to 3,755.1.

Banks and base metal miners were worst hit. Royal Bank was the most active share, losing C$1⅝ to C$45⅝ on 647,000 shares. Toronto-Dominion Bank fell C$⅛ to C$18¼. Canadian Imperial lost C$⅝ to C$28⅛ and Bank of Montreal eased C$½ to C$30.

ASIA PACIFIC

Nikkei anticipates the Wall Street decline

Tokyo

THE TOKYO market was sharply lower yesterday, undermined by serious concern about a possible plunge on *Wall Street, and continuing* instability in the bond market, *writes Robert Thomson in Tokyo.*

The Nikkei index closed 599.04 lower at 36,778.98 on volume of 577.5m shares, up from *the previous day's estimated* 550m. Declines outnumbered advances by 741 to 230; the day's low was 36,683.27 and the high 37,462.84; the broad-based Topix index fell 34.72 to 2,705.46. In London, the ISE/ *Nikkei 50 index lost 9.16 to* 2,015.91.

Yesterday's formal announcement of a general election next month drew minds to the possibility of a poor performance by the ruling *Liberal Democratic Party, but* doubts about Wall Street were the most influential cause of the fall.

A Nomura analyst said that the market was in a "major mess" over fears of an interna*tional collapse in stock* prices, although other brokers said that Tokyo could be turned round quickly if the large institutions returned to the market.

In early trading, there was enthusiasm for technology stocks, including Sony and Fanuc, in reaction to US proposals for an easing of Cocom restrictions on exports of *sophisticated technology to* communist countries; but that trend was soon overwhelmed by the market's pessimism.

Trading volume has been unusually low since the new year, and the market has been *particularly sensitive to the* troubled bond market, which slumped again yesterday. The key March contract on 10-year government bonds closed at 96.38, down 0.61.

Brokers said the stock *market's weakness was com*pounded by arbitrageurs' selling. The Bank of Japan and Ministry of Finance yesterday issued statements which indicated annoyance with speculation in the stock and currency *markets, and asserted that* Japan's economic fundamentals remained sound.

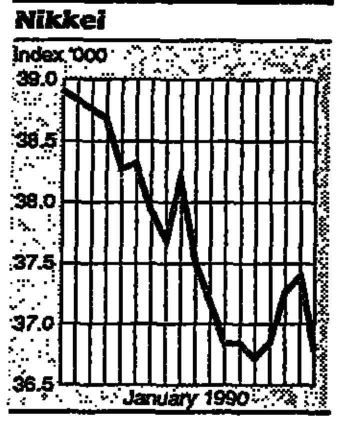
Mr John Courtney, of W.I. Carr, said that the market was awash with "gloomy rumours" and that there was a sense that *the London and New York* markets would be unstable. Yesterday's fall followed two days of rises on thin trading volumes, and pushed the market below the 37,000 threshold figure, which it passed during Monday's trading.

There was a surge in the gold sector after reports early in the afternoon that the world's richest gold mine had been discovered in northern Japan, although the enthusiasm was later tempered by reports that the area in Aomori prefecture is believed to be a sacred site.

Still, Dowa Mining, which has climbed dramatically in recent weeks after earlier news of a gold find in the area, rose Y60 to close at Y1,550, after peaking at Y1,660, and it topped the trading volume at 18.4m shares.

Minebea, the bearing maker, was also heavily traded in the wake of news that its semiconductor subsidiary, *NMB* Semiconductor, has reached agreement on a joint venture with Intel to manufacture chips in the US. Minebea was up Y40 at Y1,260 on a turnover of 11.23m shares.

The Osaka Stock Exchange average fell 329.73 to 37,921.97, on a volume of 70m shares, up from 49m shares on Tuesday.



Roundup

THE PLUNGE in Tokyo, currency worries and forthcoming holidays sent most markets lower, but Seoul carried on in a more cheerful vein.

AUSTRALIA finished slightly weaker after the *decline in Tokyo sapped its* early strength. The All Ordinaries index closed 3.6 lower at 1,661.2, after rising to 1,676.8 in response to the lower Australian dollar, and optimism over interest rates.

Turnover was *124m* shares worth A$300m, compared with Tuesday's 85m and A$215m.

The banking sector rose in active trading amid hopes of a further easing of interest rates. National Australia Bank gained four cents to A$6.72, after touching A$6.84.

SINGAPORE fell sharply in moderately busy turnover in *the wake of Tokyo's sell-off.* The Straits Times industrial index moved below the 1,500 level, losing 25.48 to 1,495.25. Volume rose to 111m shares from 102m on Tuesday.

SEOUL was buoyant as insti*tutional demand* remained strong. The composite index gained 13.06 to 908.58, in active trading of 20m shares valued at 448bn won.

Monday's political boost to the market, when three leading *political* parties announced that they would merge, was spiced yesterday by speculation that the Ministry of Finance had asked institutions to inject about 850bn won into *stocks in the near future;* the *ministry denied the rumours.*

HONG KONG slipped in thin trading as investors looked forward to their new year holidays, which start tomorrow. The Hang Seng index fell 6.06 to 2,756.39; share prices, low as they are, showed *little* reaction to Tokyo's decline. Turnover was HK$442m, up from Tuesday's HK$432m.

EUROPE

Evidence of frustration as bourses toe the line

CONTINENTAL bourses followed actual, initial or expected leads from Tokyo and *Wall Street yesterday,* although some observers believe that leading European industrial companies deserve a life of their own, *writes Our Markets Staff.*

FRANKFURT tumbled, to *the frustration of stock market* professionals in Frankfurt, Hamburg and London, who see West German share prices representing a strong economy and some outstanding companies. The DAX index closed 45.11, or 2.5 *per cent,* lower at 1,756.41 after a drop of 14.10 to 732.7 in the FAZ at midsession.

Foreign selling was noted, with international blue chips in the frame as Daimler dropped DM30 to DM803 and Deutsche Bank DM13.50 to DM823.50. Volume declined from DM8.9bn to DM8.1bn.

Some good stories fell on *stony ground. In motors,* Porsche's more than doubled net profits left it DM9 lower at DM1,003. In engineering, Metallgesellschaft's plan to float Germany's first purely environmental stock, BUS, left the normally well-favoured parent DM16 lower at DM595.

Siemens' computer chip development plans, jointly with IBM, had not reached the market by the time of the official close. It ended DM17.50 lower at DM703.50.

While all this was going on, the New York-based New Germany Fund said that it intended to increase its proposed initial public offering to 25m shares, plus a 15 per cent over-allotment option, from the 10m originally planned.

PARIS fell in a session that saw no great rush to sell. The *CAC 40* index lost 30.63, or 1.6 per cent, to 1,881.73 in moderate trading estimated at FFr2.75bn.

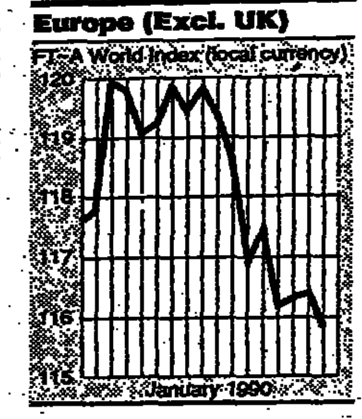
One salesman said that domestic factors had not played much of a part yesterday, as the French market looked to Tokyo in the morning and New York in the afternoon. The CAC 40 closed above its lows – it had been almost 3 per cent down early in the afternoon – as Wall Street regained some of its early loss.

Few stocks resisted the downward pressure: BSN, the food group which announced a rise in turnover figures on Tuesday, lost FFr27 to FFr710. Cap Gemini Sogeti, the computer services company which reported net profits up 30 per cent, slipped FFr10 to FFr461.

AMSTERDAM dropped in fairly active trading, but was a little encouraged towards the close by Wall Street's partial recovery. The CBS tendency index eased 3.0 points, or 2.6 per cent, to 110.5.

There was little company news, with prices being marked down after Tokyo's fall and in anticipation of Wall Street's. The lower dollar added to the nervousness.

Among the biggest falls was KLM's Fl 2.70 to Fl 42.40 and Philips' FL 2.50 to Fl 42.40.



MILAN reflected international concerns and renewed tension in Rome ahead of a *vote of confidence in the coalition* Government. The Comit index fell 10.92 to 688.73.

A broad decline in blue chips took in a sharp slide in banks, where Banco di Roma fell L95 to L2,240 and Credito Italiano L85 to L2,740. Satisfactory results from Fiat left the shares L275 lower at L10,675.

ZURICH saw selling interest concentrated on banking and insurance, two areas sensitive to interest rate squeezes, as the Crédit Suisse index fell 15, or 2.5 per cent, to 593.1.

Union Bank fell SFr95 to SFr3,870 and Winterthur Assurances SFr100 to SFr4,200. In foods, Nestlé registered shares dropped SFr245 to SFr8,595, after it said that 1989 profits growth would not match a 22 per cent increase in sales.

BRUSSELS fell 2.2 per cent, with the cash market index down 140.78 to 6,215.03 in its steepest decline since the *mini-crash of October last year.* Volume was BFr1.5bn in the 53 shares traded on the Belgian *market's computerised system.*

Steel stocks were particularly weak, and Cockerill dropped BFr11 to BFr178; among other blue chips, *Petrofina* fell BFr275 to BFr11,750 and the chemical company, Solvay, BFr450 to BFr13,600.

STOCKHOLM's turnover was light, before the possible lock-out of bank staff on Monday. News that the bank employers and unions had agreed to seek arbitration over their pay dis*pute came after the close.*

The Affärsvärlden General index retreated by 22.8, or 1.8 per cent, to 1,214.6 as SKr202m worth of shares changed hands. Ericsson, which announced orders worth SKr865m from Telecom Australia after the close, lost SKr14 to SKr889.

HELSINKI also had difficulties with a banking dispute, which hit trading yesterday. Kansallis-Osake-Pankki and Union Bank of Finland suspended most of their trading in shares, because of a ban by employees on inter-bank *business; two other leading* banks said they would suspend such business from today. A lock-out of staff has been threatened from February 1.

Turnover consequently shrank to FM72m from Tues*day's FM365m. The Unitas* general index lost 31.3, or 4.6 per cent, to 646.0.

ISTANBUL defied trends on overseas markets and a bomb attack, as the stock exchange index climbed 53 points, or 1.4 per cent, *to 3,823.58* in active turnover of TL55bn. A man was killed trying to plant a bomb at the exchange late on Tuesday.

SOUTH AFRICA

THE RISING bullion price helped Johannesburg gold stocks make strong gains, with foreign and local buyers active. The JSE all-gold index rose 142 points to 2,234, while Vaal Reefs gained R26 to R451. Platinum and industrial issues *also firmed.*

Malaysia wonders what to do next

Lim Siong Hoon reports on the tussle with Singapore's Clob market

FOR THE time being, at least, the Kuala Lumpur Stock Exchange (KLSE) may have to live with Clob International, Singapore's *over-the-counter market, after* the Malaysian Government rejected its calls to introduce tougher rules to stamp out stock trading there.

Clob's existence, since January 2, has rendered ineffective *the Government's order which* ended the listing of 138 Malaysian companies on the Singapore Stock Exchange (SES) this year. The KLSE is discovering that its securities market will not readily make an abrupt break with Singapore. The result is a disagreement with the Malaysian Government on what to do next.

In the three weeks or so since the break with the SES, Malaysian stocks have remained widely traded in the secondary market at Clob, the acronym for Central Limit Order Book. Volume in Clob is *high; nearly as much stock* was traded there as in Kuala Lumpur earlier this month, a situation no different than before the year end, and the Malaysian Government's edict.

Clob trades just six Hong Kong stocks, compared with 133 Malaysian ones. So far, this has seemed a feeble disguise *for a device aimed at overcom*ing Singapore's potential loss of Malaysian securities business after the delisting.

The KLSE's response, initially by refusing to recognise Clob, then denouncing it as a parallel, not an over-the-counter, market, has done little to curb business there.

Clob's strength is a telling indication of the size of the Singapore domestic retail market, and the financial support commanded by its brokerage industry. There is evidence of this in the experience of Kim Eng Holdings, a stockbroker that is making a public issue of 50m shares this month; aiming *to raise S$32.5m, it has seen* applications for S$23bn, an oversubscription of more than than 700 times.

The retail market, individual and small investors who own a pool of Malaysian stocks, is not the only one to have continued relying on Singaporean brokers. Foreign fund managers *like its efficiency,* as well as Singapore's commission charges, which are based on volume and are lower than Malaysia's 1 per cent flat rate.

Malaysia's newly independent stock market is suffering from growing pains. Its daily volume this month doubled suddenly, going as high as 200m shares and inflated by a M$3bn rise in new issues, recently installed computerised trading *and some spillover* from Singapore. All this has triggered administrative difficulties. Settlements and deliveries are delayed as the workload mounts. The KLSE's securities clearing network has *a handling capacity of just* 100m shares, although it has planned to upgrade to 250m.

Meanwhile, the KLSE has been uncertain about what to do next: as separation from the SES is national policy, it looked for a government initiative. More brokers might have been allowed into the Malaysian market, or corporate rules amended to prevent trading at Clob. But the Government refused to intervene.

"Forget Singapore," said Mr Daim Zainuddin, the Finance Minister, who told the KLSE to sort out its own problems. He said that brokers ought to merge, raise more capital and hire more and better staff.

The KLSE's next move was to invoke its house rule against dealing in an unlawful market. However, many Malaysian brokers, who have their hands full already, have little or no incentive to deal at Clob. And the *KLSE did not make clear* whether the rule covers dealings with Singapore brokers.

But the warning may work to rein in the recalcitrants, while giving others a morale boost in fighting off their Sin*gaporean rivals. Meanwhile,* daily volumes at Clob have fallen from parity with Kuala Lumpur to about one share in every three traded.

KUALA LUMPUR followed Tokyo lower yesterday, with the composite index down 9.18 at 558.07. Volume was thin before the new year holidays, totalling 66m shares, down from 88m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 23 1990						MONDAY JANUARY 22 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	151.97	−2.2	136.68	129.48	−0.3	5.26	155.40	140.53	129.87	160.41	128.28	152.34
Austria (19)	206.59	−0.5	185.80	183.18	−1.2	1.33	207.69	187.81	185.45	219.85	92.84	96.99
Belgium (61)	152.38	−0.3	137.05	133.41	−1.6	4.19	152.85	138.22	135.51	160.02	125.58	135.56
Canada (120)	144.48	+0.7	129.94	123.24	+0.3	3.25	143.51	129.77	122.88	154.17	124.67	132.27
Denmark (36)	244.66	+0.9	220.04	219.04	−0.3	1.44	242.56	219.35	219.72	250.34	165.35	157.67
Finland (26)	145.39	+2.3	130.75	122.58	+1.8	2.55	142.17	128.56	120.46	159.16	118.63	134.49
France (125)	149.89	+1.1	134.80	135.55	−0.4	2.78	148.29	134.09	136.13	157.97	112.57	117.26
West Germany (96)	123.84	+1.5	111.38	109.23	+0.0	1.92	122.05	110.37	109.27	130.32	79.56	85.79
Hong Kong (48)	113.69	−0.5	102.24	113.99	−0.5	5.00	114.24	103.30	114.54	140.33	86.41	120.37
Ireland (17)	197.36	−0.6	177.50	177.98	−2.0	2.44	198.57	179.56	181.68	198.57	125.00	131.96
Italy (96)	99.78	+1.2	89.74	94.08	−0.3	2.44	98.62	89.18	94.36	102.11	74.97	84.31
Japan (455)	183.46	+0.3	165.00	169.37	+0.1	0.48	182.91	165.40	169.27	200.11	164.22	195.82
Malaysia (36)	226.71	−0.5	203.89	236.05	−0.6	2.27	227.91	206.09	237.47	238.21	143.35	149.27
Mexico (13)	331.38	−0.8	298.03	977.54	−0.7	0.53	334.08	302.11	984.40	337.02	153.32	161.24
Netherland (43)	136.34	+1.1	122.62	118.98	−0.3	4.53	134.79	121.89	119.35	145.66	110.63	114.14
New Zealand (18)	71.85	−2.7	64.62	62.93	−1.7	5.60	73.83	66.76	64.02	88.18	62.64	70.27
Norway (24)	215.01	+0.3	193.37	191.81	−0.3	1.42	214.27	193.76	192.31	219.26	139.92	158.13
Singapore (26)	184.24	−1.0	165.70	159.70	−0.8	1.82	186.12	168.31	161.03	189.94	124.57	133.40
South Africa (60)	213.39	−0.7	191.91	160.87	+0.2	3.46	214.81	194.25	160.54	229.41	115.35	127.48
Spain (43)	153.85	+0.5	138.37	128.85	−0.3	4.11	153.10	138.44	129.20	169.75	143.14	148.20
Sweden (35)	190.44	−0.2	171.27	174.86	−1.0	1.96	190.74	172.48	176.55	206.95	138.45	147.38
Switzerland (62)	95.17	+1.1	85.59	88.94	−0.5	2.01	94.13	85.13	89.38	99.12	67.61	77.39
United Kingdom (306)	154.47	+0.3	138.92	138.92	−0.3	4.55	154.03	139.29	139.29	164.31	133.28	143.09
USA (542)	134.23	+0.3	120.72	134.23	+0.3	3.49	133.84	121.03	133.84	146.29	112.13	117.26
Europe (989)	139.74	+0.7	125.68	124.73	−0.3	3.42	138.73	125.45	125.14	146.66	112.63	117.34
Nordic (121)	189.66	+0.4	170.57	164.91	−0.5	1.73	188.85	170.78	165.71	198.12	137.95	143.99
Pacific Basin (667)	179.70	+0.2	161.62	165.72	+0.0	0.74	179.37	162.20	165.67	194.72	160.44	190.91
Euro – Pacific (1656)	163.91	+0.4	147.41	149.38	−0.1	1.67	163.29	147.67	149.52	174.18	141.56	161.46
North America (662)	134.74	+0.3	121.18	133.55	+0.3	3.48	134.32	121.47	133.16	146.66	112.79	118.07
Europe Ex. UK (683)	129.37	+1.0	116.35	115.88	−0.4	2.68	128.06	115.80	116.32	134.66	96.30	101.26
Pacific Ex. Japan (212)	134.45	−1.6	120.92	120.07	−0.5	4.81	136.64	123.56	120.65	140.05	111.93	132.11
World Ex. US (1849)	163.81	+0.4	147.32	148.87	−0.1	1.73	163.21	147.59	148.99	173.77	141.49	160.10
World Ex. UK (2085)	152.03	+0.4	136.73	144.42	+0.1	2.05	151.50	137.00	144.33	162.00	136.98	143.70
World Ex. So. Af. (2331)	151.86	+0.4	136.57	143.75	+0.0	2.27	151.32	136.84	143.71	161.84	136.67	143.73
World Ex. Japan (1936)	137.64	+0.4	123.79	130.79	+0.0	3.51	137.13	124.00	130.77	145.52	114.51	118.52
The World Index (2391)	152.23	+0.3	136.91	143.87	+0.0	2.28	151.71	137.19	143.82	162.05	136.68	143.63

Latest prices were unavailable for this edition.